

JUNE 1, 2016

ABAG
Regional Planning Committee

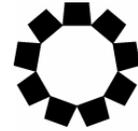
AGENDA, MINUTES AND ATTACHMENTS

ASSOCIATION OF BAY AREA GOVERNMENTS

REPRESENTING CITY AND COUNTY GOVERNMENTS OF THE SAN FRANCISCO BAY AREA

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



ABAG

AGENDA

REGIONAL PLANNING COMMITTEE

Wednesday, June 1, 2016, 1:00 PM-3:00 PM (Lunch 12:45 PM)

Location:

Bay Area Metro Center

375 Beale Street, Yerba Buena Conference Room

San Francisco CA 94105 (15 minute walk from BART, 20 minute from the Ferry Building, 5 minute from the Bus Transit Terminal)

The ABAG Regional Planning Committee may act on any item on this agenda.

Agenda and attachments available at abag.ca.gov

For information, contact Wally Charles, ABAG Planning and Research, at (510) 464 7993 after 5/20/2016 (415) 820 7993

1. CALL TO ORDER / CONFIRM QUORUM

2. PUBLIC COMMENT

Information

3. APPROVAL OF SUMMARY MINUTES OF APRIL 6, 2016

ACTION

Attachment: Summary Minutes April 6, 2016

4. ANNOUNCEMENTS

Information

5. SESSION OVERVIEW

Information

Miriam Chion, ABAG Planning and Research Director

Attachment: Overview

6. ECONOMIC PROSPERITY OVERVIEW

Information

Cynthia Kroll, Chief Economist, and Johnny Jaramillo, Senior Regional Planner at ABAG, will discuss the efforts to create an Economic Development District for the Bay Area. They will be joined by Malinda Matson, Economic Development Representative from the US Department of Commerce, Economic Development Administration and Darien Louie, Executive Director of East Bay Economic Development Alliance, who will provide their perspectives on the process.

Attachments: Memo

1. *Establishing a Bay Area Economic Development District*
2. *Draft Scope of Work*

7. UPDATE OF PLAN BAY AREA SCENARIOS

Information

Miriam Chion, Planning and Research Director, and Gillian Adams, Senior Regional Planner at ABAG will provide an overview of the land use scenario process and public workshops.

Attachments: Memo

1. *ABAG Land Use Scenario Process March 2016*

8. ABAG-MTC MERGER UPDATE

Information/Action

Ezra Rapport, ABAG Executive Director will provide an update of the merger process, including the actions taken by the ABAG Executive Board, ABAG General Assembly and MTC Commission.

Attachments: Memo

9. ADJOURNMENT

Next meeting: Wednesday, August 3, 2016

Submitted:

A handwritten signature in black ink that reads "Miriam Chion". The signature is written in a cursive style with a long horizontal line extending from the bottom of the name.

Miriam Chion
Planning and Research Director

Date: 5/17//2016

SUMMARY MINUTES (DRAFT)

ABAG Regional Planning Committee Meeting
Wednesday, April 6, 2016
Joseph P. Bort MetroCenter
101 8th Street, Oakland, California

1. CALL TO ORDER

Pradeep Gupta, Chair and Vice Mayor, City of South San Francisco, called the meeting of the Regional Planning Committee of the Association of Bay Area Governments to order at 12:32 PM

A quorum of the committee was present.

Committee Members Present	Jurisdiction
Committee Members Present	Jurisdiction
Mark Boucher	BAFPAA
Diane Burgis	East Bay Regional Park District
Paul Campos	Senior Vice President, Government Affairs, Building Industry Association
Tilly Chang	Executive Director, SFCTA County of San Francisco
Cindy Chavez	Supervisor, County of Santa Clara
Pat Eklund	Mayor, City of Novato
Martin Engelmann	Deputy Executive Director of Planning, Contra Costa Transportation Agency
Pradeep Gupta	Vice Mayor, City of South San Francisco (Chair)
Erin Hannigan	Supervisor, County of Solano
John Holtzclaw	Sierra Club
Nancy Ianni	League of Women Voters--Bay Area
Melissa Jones	Executive Director, BARHII, Public Health
Michael Lane	Policy Director, Non-Profit Housing Association of Northern California
Jeremy Madsen	Executive Director, Greenbelt Alliance
Eric Mar	Supervisor, City and County of San Francisco
Nate Miley	Supervisor, County of Alameda
Karen Mitchoff	Supervisor, County of Contra Costa
Carmen Montano	Vice Mayor, City of Milpitas
Anu Natarajan	Director of Policy and Advocacy, MidPen Housing
Julie Pierce	Councilmember, City of Clayton (ABAG President)

Harry Price	Mayor, City of Fairfield
Matt Regan	Senior Vice President of Public Policy, Bay Area Council
Katie Rice	Supervisor, County of Marin
Carlos Romero	Urban Ecology
Al Savay	Communitte Dev. Director, City of San Carlos (BAPDA)
Kirsten Spalding	Executive Director, SMCUCA
James P. Spring	Supervisor, County of Solano
Egon Terplan	Planning Director, SPUR
Dyan Whyte	Assist. Exc. Officer, San Francisco Regional Waterboard

Members Absent

Desley Brooks
Julie Combs
Diane Dillon
Karen Engel

Scott Haggerty
Russell Hancock
Mark Luce
David Rabbitt

Mark Ross
Jill Techel
Monica E. Wilson

Jurisdiction

Councilmember, City of Oakland
Councilmember, City of Santa Rosa (Vice Chair)
Supervisor, County of Napa
Director of Economic and Workforce Development, Peralta Community College

Supervisor, County of Alameda
President & CEO, Joint Venture Silicon Valley
Supervisor, County of Napa
Supervisor, County of Sonoma (ABAG Vice President)

Councilmember, City of Martinez
Mayor, City of Napa
Councilmember, City of Antioch

2. PUBLIC COMMENT

There were no public comments.

3. APROVAL OF REGIONAL PLANNING COMMITTEE MEETING MINUTES OF FEBRUARY 3, 2016

Vice Chair Gupta recognized a motion by **Pat Eklund**, Mayor, City of Novato and seconded by **Julie Pierce**, Councilmember, City of Clayton to approve the Regional Planning Committee minutes of February 3, 2016.

There was no discussion

The aye votes were: Boucher, Campos, Chang, Chavez, Eklund, Engelmann, Gupta, Hannigan, Holtzclaw, Jones, Lane, Madsen, Mitchoff, Montano, Natarajan, Pierce, Price, Regan, Rice, Romero, Savay, Spalding, Spering.

The nay votes were: None

Abstentions were: Rice.

The motion passed.

4. ANNOUNCEMENTS

Member Jones announced a new released report on Housing and Health which can be found on their website BARHII.org.

Member Pierce announced and encouraged everyone to join the ABAG General Assembly on April 21, 2016 at the Oakland Museum.

Member Jeremy announced a new released report "Home Grown" a great tool for Farms and Ranches to be successful, this report can be found on their website Greenbelt.org

5. SESSION OVERVIEW BY MIRIAM CHION, ABAG PLANNING AND RESEARCH DIRECTOR

Ms. Chion, Director of Planning and Research at ABAG, gave an overview of the meeting and future plans and schedules.

6. HOUSING ACTION AGENDA

Duane Bay, ABAG Assistant Planning and Research Director, presented a draft ABAG Housing Agenda and gave a brief report on the recent ABAG/MTC Housing Forum.

Member Romero said they lay out tasks and approaches that make sense but might in some cases be difficult to get consensus on. They might want to prioritize based on low hanging fruits, such as streamline out of the entitlement process, or preserving the affordability of existing homes. ADUs are not naturally affordable. It would be helpful to have a clear debate of what the ground rules are. Bay Area Council is working on the ADU piece: ADUs could be included in the housing fund.

As an affordable housing developer and consultant, he has a lot of issues with TOAH, because of its usability. It becomes much more expensive money, TOAH is not effective on some of the affordable housing stuff but potentially the housing trust could be effective. He really would like to see if there is another way of generating an alternative source of funding. Another issue is: RHNA reform, how could we get from A to B without alienating cities, advocates etc. The housing trust fund is really important because we want to move forward on a regional basis, whether it is development in PDAs, affordable housing or incentivizing housing within PDAs that are market rate housing.

Member Eklund thanked staff for incorporating some of the suggestions that she made at the Executive Board and the Administrative Committee meetings. Novato was one of the first communities to really focus on junior units, which is already working in our town; building market rate housing is easier than affordable housing. Elimination of the redevelopment agency has affected our ability to fund affordable housing. In Novato they were able to fund six hundred affordable housing units, half ownership, half rental, with RDA funds. She believes that any future regional housing trust fund should focus on either a loan or grant program for affordable housing. Market rate housing is a lot easier to build. Affordable housing is quite expensive and should be funded with state funds, since they took away RDA. She does not support a regional tax or fee. If TOAH appears to have issues what can be done to change it to make it more usable for the existing affordable housing community? The housing action agenda doesn't emphasize that housing should be placed where the jobs are. There should be an effort to have businesses in the community build housing for their employees. She supports having a commercial linkage fee implemented. She supports inclusionary zoning ordinance even though nobody likes to have those kinds of requirements, but they are needed. ABAG can provide some support services for affordable housing entities to make their grants more competitive, at the state or federal level as well.

Member Regan commented that currently the Bay Area Council is on sustainable accessory dwelling units. They have put together a campaign on an effort to make permitting easier for accessory dwellings. There are currently three bills in the state legislature addressing permit expediting for accessory dwelling units. Setting up a housing trust fund is important. We need a sustainable fund for affordable housing. Cities particularly in the Pacific Northwest have done accessory dwelling unit, enabling legislation. Vancouver passed sweeping legislation that makes permitting by right; 35%

of single family homes in Vancouver have an accessory dwelling unit attached. It's the single biggest supplier of the new housing. There is no guarantee that these will all be affordable but a significant number of them are; this is looking at current practices in other places. If there is a requirement that restrict these units to be affordable, then it would only be fare that the home owner who builds it has access to the housing trust fund to help finance it. If large employers had the money and the willingness to do build housing, they still would run into opposition.

Member Natarajan said she hopes that ABAG continues to do what it does best, pooling all the data from the different sources and providing best practices both in terms of policy work but also in terms of just the financing mechanisms. For ABAG to tinker around the edges to just set up this regional mechanism is not the best use of their time. Identifying resources is going to be challenging because everybody is picking up the same buckets of money.

Member Savay said if a city was able to pay into a housing trust fund and get credit for RHNA or some other affordable housing requirement, then that would be a politically acceptable way to contributing to helping the housing problem in the Bay Area. Funding sources are really hard to get and you have to have special expertise. He thinks it would be a good thing for ABAG to support.

Member Madsen said congratulations to staff on putting this together. Land use planning and implementation requires building a political strategy and a political constituency. Several of these things require policy reform, policy advancement, a constituency behind. It requires having that agenda well understood and various different folks from nonprofit organizations, providers, elected officials making that case. They support ADUs acceleration in some of the most ready and regionally beneficial PDAs, is there a requirement to have policies around affordable housing and around stabilizing people who are already there? On the trust fund, the concept is a good idea as part of a very multi-faceted strategy.

Member Rice said they need to have all the tools in the toolkit. They are still threatened by losing their mix of housing. In Marin County they are really focusing on opportunities for acquisition, conversion and to permit deed restricted housing. They get some buy in from the community on this kind of an action and they are finding ways to partner to make that happen. That is one of the roles that ABAG should be playing; in this conversation one of our strengths is lobbying and looking for legislative changes that help us reach our goals. They need to look at RHNA, tax incentives or a property tax credit to help incentivize existing property owners to put their properties into trust perhaps that then would convert over into deed restrictive affordable housing when they pass on. We do have people in our community who are willing to do that.

Member Miley said this is a regional issue, it is neither a city issue nor a particular county issue, it is a Bay Area issue for the whole nine Bay Area counties. They need to agree on some fundamental principles to move forward. There is no magic solution; they have to have a more complex approach to addressing this issue. It is important that they recognize the need for housing is an all categories from homeless, to the moderate income folks. They have to recognize that they are all in this together. If they pitch everybody against everyone, they are not going to succeed.

Member Chang thanked staff for putting this out, they just want to voice strong support for this and pledge their partnership and assistance to anyone. Many of the strategies mentioned in the agenda, are already underway in San Francisco. One that is not featured in the report and that they suggest is the idea of the jobs-housing linkage fees, commercial and otherwise. They think that it is a really important mechanism. What is exciting is that they are not talking about why they need any of this work. It's really about what and how. On transportation analysis, the methodology has changed, the state transportation impact measure have shifted from an intersection delayed measure to a vehicle travel measure, which really should benefit because of the fewer to none zero vehicle miles travel generated.

Member Pierce said this is a great discussion and something they all need to get behind and it needs a united front. There is probably nobody better than ABAG to pull the voices together. Our region needs all the housing we can build. She liked the idea of the regional housing trust fund. She has been talking to many of them about that for several years. Her vision is to get contributions from all sources, to have reasonable fees per housing unit. Inclusionary housing is right, a simple flat fee per housing unit probably gets them further than that. Using existing housing to satisfy some of the demand for affordable housing such as what Napa has done with their work proximity housing program is good. For a \$50,000 down payment they get a qualified family into a unit without spending five hundred thousand on a new unit. There are really practical reasons why existing housing makes a lot of sense in the affordability contract. The problem is, they do not get credit from the state as creating an affordable unit when they do that. There they do need to be an advocacy organization; they do need to pull all their resources together. They need to get credit for what qualifies. New senior housing projects for instance, assisted care units. They must be aware that penalizing jurisdictions that are begging for development, and cannot get it, doesn't make sense either. On accessory units, when they have \$60,000 to connect a secondary unit to utilities, you either do not build it or you do not do it the same way. That is a disincentive and unless they can get around that by working with the special districts to lower those utility connection costs, they are never going to make second units a viable way of offering affordable housing.

Member Holtzclaw said mixed use is very important for housing affordability. One of the things that cities, towns, should keep in mind is allowing market, restaurants, banks to locate, libraries, parks, in urban areas close to housing to reduce transportation costs.

Member Terplan said g that staff did a great job, they have done good work. ABAG should be an advocacy organization, a place where they talk about some of the complexities and challenges such as the disconnect between political will for new housing and where the market is at times. The Bay Area has very restrictive zoning, the revenue incentives and disincentives for housing and the role that sales tax plays in local governments; communities would much rather wait for the shopping centers, than approve some housing. This leads to too much retail, it leads to a lot of tremendous inequities between cities; and another category is reforming RHNA. He would like to hear how ABAG and MTC are working together since the summit on a lot of this.

Member Burgis liked the idea of a regional housing trust fund. The resources to attract that kind of housing is limiting. When you live in Oakley, you are talking about really affordable housing. They have met and exceeded those RHNA numbers, but their folks

are challenged because transportation and other services are not there yet. Yet they have people that cannot rent an apartment where she lives which is one of the most affordable places to live in the Bay Area. Why is housing not being built? It is because it is too expensive to build and to provide for those folks. The other challenge is that they have areas that have been incorporated into the cities and the infrastructure is poor. Then the cost of the house is very inexpensive. They had a neighborhood of about eighteen houses, it was going to be \$1,500,000 to put in the right storm drain system. That is just too pricey, that is eliminating affordable housing. People who like to live out in the sticks want to have an affordable place but they need the infrastructure to be able to make it. Infrastructure investments, in areas that are affordable but restrictive, might be something that they need to invest in.

Member Savay said for the Silicon Valley Leadership Group and their CEO Carl Guardino that the number one impediment to hiring employees is housing. Mark Zuckerberg offered \$10,000 per employee to live within ten miles of the campus in Menlo Park. The problem is only a few people could find a place affordable enough even for those people who work there. Silicon Valley Leadership Group is very interested in housing and they would probably be very open to some kind of collaboration or partnership. He suggested looking at Private public partnerships.

Mr. Rapport said when they talk about a regional housing trust there is three critical elements. One is governance. There's a lot of consensus building among the people who have a trust that this will not be competitive in any way this will just be a support. Second, they are talking about new funding not existing funding streams that everybody else is using. Third is the expenditure plan that has very broad levels of consensus. Their view of CEQA reform is that it is not needed when they do priority development areas and specific plans. That is the whole purpose of the ABAG funding for the priority development areas. There are ways in their view where RHNA could possibly be an incentive to local governments. They definitely see that for accessory dwelling units. They do not have much faith in the state coming forward with affordable housing funding. What they are talking about here is raising money regionally. They now have on the ballot for Restoration Authority with a parcel fee regionally, would be administered by the Restoration Authority all of which all the appointments for that are ABAG appointments. A uniform commercial linkage fee is a possibility. MTC is fully supportive of our housing agenda. That is something that they really need to do together. They have to find gap fund financing, where projects have already assembled a very large amount of money and they need a small gap. They can try to support ownership housing programs like work proximity where they provide incentives for people to buy homes who are in low moderate income level and do their own fix up. Their issue is how to get PDAs created with the proper zoning, the proper quality of an urban neighborhood with the appropriate tools to address the social issues and to streamline good projects. To them the framework of Plan Bay Area is the Priority Development Area and getting enough money to support that program.

7. UPDATE ON REGIONAL AGENCIES MERGER STUDY

Member Pierce said they also have present member of the RPC Jim Spearing who is the chair of the MTC planning committee which is part of the Joint Committee that is

administering the merger study between ABAG and MTC. They have been working very closely along with chair Dave Cortese of MTC on the process. As many of you know they hired Management Partners in January to do a study about the potential for a merger between MTC and ABAG. Should no action be taken before the end of June, MTC's resolution 4210 will take effect and some of the planning money for ABAG will be rescinded and the planners will be offered jobs at MTC. ABAG is looking at an offered opportunity right to really truly merge two agencies engaged in different respects in regional planning. They have had the consultants do a fairly detailed five year financial forecast for both MTC and ABAG both with and without resolution 4210. There's been an extensive amount of outreach done. There were some very strong opinions that were shared with the consultants which gave them a real idea of the challenges in merging two different agencies which are culturally very different, and who have different missions. Clearly MTC is financially the giant because they have a tremendous amount of money. They, ABAG, play a huge role regionally with their local governments and so while one may be financially stronger the other one probably is stronger in view of their outreach to local governments and stakeholders. Both agencies would be stronger to merge those assets.

The consultants are now finishing up their analysis and will be making a recommendation to the joint committee on April 22nd, which is a Friday. It is the day after ABAG's General Assembly and while the report will be on the street the General Assembly is not going to have a discussion about the recommendation. They will take comments but the recommendation will come directly back to the Joint Committee or the Joint ABAG and MTC planning committees to discuss. The expectation is that out of that recommendation or out of that series of options and based on the consultant's recommendation and their agreement or not with them, the Joint Committee will be making a recommendation back to their larger bodies for a path forward in the future. The expectation is to figure out where they want to go and then to agree to engage on a process to figure out how to get there. Those who read the packets saw that there are a lot of options on the table. Member Pierce invited the committee members to come to the Joint meeting on April 22nd, where Management Partners will be providing their evaluation and recommendation to the Joint Committee and hopefully make a united decision on the direction they want to follow. She believes if they are ever going to do this they will never have a better opportunity than right now. She asked Member Sperring if he would like to add anything.

Member Sperring replied he is not looking forward to the discussion on the 22nd but the first statement he wanted to make is what they are currently doing does not work, it is dysfunctional and it has to change. That is just a fundamental position that MTC has. Second, they look at these financial conditions of ABAG whether they move the planners or not, ABAG has a very serious financial problem that has to be addressed. Third thing he wanted to say is, if the planners are moved and that funding is discontinued there is a pass-through of about \$1.2 million that is going to ABAG. There are many commissioners like myself that are not going to sit on the sidelines and watch ABAG face this financial crisis without them providing some assistance. For him it is extremely important that the two governing bodies, to take this next step, have to keep their autonomy so they can have an honest discussion about what a future regional government might look like. One structure is not forced on either one of the agencies. All in all, they are just talking about moving some planners. They really have to be cautious

not to overlook the great things that ABAG and MTC do in this region. He just wanted everybody to rest assure that MTC's goal is not to bankrupt or harm ABAG financially. As many people in the room know he has been a big advocate for funding for ABAG over the past twenty plus years and ABAG plays a very important role in the region and that role needs to be preserved. He is not sure what form it is, but one of the objectives. He asked everyone to be patient and keep an open mind and look at how things can be and not necessarily how they are today.

Member Pierce they are uniting around some principles and that is really important. Member Spring is absolutely right, both agencies are incredibly important to the Bay Area.

Mr. Bukowski said on Friday at 10:00 the Senate Select Committee on Bay Area regional planning is having a meeting at the State Building from ten to twelve so some of their inputs should be received at that meeting.

Member Terplan praised President Pierce and Commissioner Spearing for setting forth a conversation that has been effective. They are in the moment today to accomplish something that has been attempted since MTC was formed in the early 1970s, of having something that every other metropolitan region of California has, which is a single regional agency that does transportation land use planning, RHNA long term projections, and all of that under one roof. There are a number of people, for a variety of reasons, which are nervous about any changes to the governance. All of the functions of ABAG and all of the functions of MTC being within a single organization single organizational structure could be organized but the fundamental governance in the interim could be left as is. He is looking forward to see what the options are but does hope that this is the time that they can accomplish the merger, but seeing that as a series of steps and the first step being the staffing piece, the entire staffing.

Member Pierce said that two of the options have exactly that in them. They have functional integration but still two autonomous separate boards.

Member Chavez said she is new, just the last couple of years to all the regional work. Primarily coming from Santa Clara County she feels left out anyway, because they are so far at the end. They have to understand what the rate of return is to the people they represent. She has found a lot of value in regionalism. She wanted to make sure that she puts on the table meaningful engagement; it should have been its own criteria because having cross conversations with people across the region allows us to do a better job for the people we each represent. Second, she does see that there are challenges between the cultures of the two organizations relative to that issue and again she spoke for Santa Clara County and just for herself. She does not find all agencies to be equally open to all of their organizations and that is a problem. She would like to add that both agencies have the ability to deeply engage all of their partners, with benefits from both information and financial perspectives. At this point she does not have that kind of confidence.

Member Spring replied you are hitting the nail on the head. This is reason why they think it is so critical that the two bodies stay autonomous for the meantime. You can have this open honest discussion and that these issues are put on the table. One thing that ABAG does much better than MTC is it is engaged with the cities. They can have

that input in this transitional period. It is absolutely imperative that the ABAG Executive Committee stays in place and is autonomous and able to make decisions.

Member Chavez said the ability to have really uncomfortable conversations publicly, not just as an issue relative to transition but as an issue relative to the endgame.

Member Spering said that is why he made the statement earlier about do not discard the good things that both of them do. ABAG plays a very important role. When they look all over this nation they look at the job that ABAG does with its engagement to cities and counties it is very unique and it is a quality that needs to be maintained. It is a voice and it does impact and influence what MTC does and so that is part of that discussion.

Member Holtzclaw said he is going to join with his colleagues in thanking both Member Pierce and Member Spering for their great work for the heart they bring into this and the thought they bring into it. He asked for the time and place of the April 22nd meeting.

Member Romero said this is clearly an important discussion to have and a very important opportunity that he would hope they do not miss, but he still has great trepidation about the outcome. If they are really looking at June as the month that MTC pulls this trigger to move the planners over, yet ABAG retains RHNA, he thinks that would be disastrous. If they are going to continue down this road of talking about what the governing structure is, whether they actually happen to merge functionality etc., they should not pull the trigger in June. It is too early. As a city council member in East Palo Alto, having gone to a couple of meetings with other elected officials, probably comprising maybe some seventy five eighty between both, there's a trust issue with MTC. There clearly is a trust issue and they need to work through that trust issue. The number one concern that he heard among those eighty folks and some of those folks did not know very much about MTC, but they did know that it was a black box that they could not trust. If it leads to an organization that actually has greater access and penetration into the nine counties they would all be much better off. They should take a little more time to look at what this integration might look like and how they can increase the acceptance of a change in the structure of these organizations throughout the nine counties.

Member Madsen said congratulations are too premature. Thank you to Supervisor Sparing, to Council Member Pierce, and everybody else who has been engaged in thinking this through. Greenbelt Alliance had the opportunity to convene some of the environmental stakeholders throughout the region, for a discussion which was well done and appreciated. The part that has been in the background, that he wanted to make sure that they keep raising back up into the foreground, is the mission of that integration or that integrated entity or how the entities will integrate. MTC has great staff, great commissioners, great thinking but it is a transportation agency. It says that very clearly if you go on the website. It is not for housing, for open space conservation, for economic development. Getting more clarity around what is the mission, what are the integrated set of problems that they are trying to solve the region, and have that be the driving force behind whatever comes out is absolutely critical. Mission and function are both really important conversations, he wants to keep that mission piece back on the table.

Member Spalding reiterated something Member Madsen said which is really focusing on what it is they are trying to do. Her organization, the Union Community Alliance began working on Plan Bay Area around 2011. At that time, when they started talking

about economic prosperity as lens through which they had to look at their work as planning agencies it was falling on deaf ears. It was as though no one had ever considered prosperity as part of the issue. Regional agencies were very focused on how do they shorten trip times and how do they build more housing, but really thinking about what it means to thrive in the Bay Area was not on an integrated agenda. They have come a huge way over the last five years in thinking about what it means to be a region in which all people can thrive. She wanted to make sure that as they think about functionally what they are doing, she wanted to make sure that they really keep in mind that economic prosperity piece. One of the major outcomes of the HUD grant was learning to deal with their silos in their thinking about housing, about transportation. Even the term economic development suggests simply job creation and they really have to think in a more integrated way about open space, equity and about what it means for this region to thrive for all people. She hopes that lens will stay on the table throughout these merger conversations.

8. ADJOURNMENT

Vice Chair Gupta adjourned the Regional Planning Committee at 2:46 PM

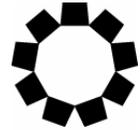
The next meeting of the Regional Planning Committee will be on June 1, 2016.

Submitted:

Wally Charles

Date: May 11, 2016

For information or to review audio recordings of ABAG Regional Planning Committee meetings, contact Wally Charles at (510) 464 7993 or info@abag.ca.gov.



Date: May 12, 2016

To: Regional Planning Committee

From: Miriam Chion, ABAG Planning & Research Director

Subject: Overview Session June 1, 2016

We would like to welcome you to our new ABAG headquarters in San Francisco for our meeting on June 1st. This would be less than ten days after our move. We hope you enjoy visiting the new building. We appreciate your patience as we learn how to use our new facilities.

Following our discussion on the Regional Housing Trust Fund in April, our June meeting will focus on strategies for economic prosperity for the region. In particular we will address the designation of an **Economic Development District** for the Bay Area. We will also provide an update of the **Plan Bay Area Scenarios**, including the public workshops and path towards the development of the Preferred Scenario.

The third major item in the agenda is the ABAG-MTC **Merger Update**. This is an opportunity for the Regional Planning Committee to discuss the merger process and provide recommendations to the ABAG Executive Board on the principles that will guide the merger process. (For Management Partners' reports see <http://www.mtcabagmergerstudy.com/>).

Between our April and June meeting we are having several discussions and decisions. On April 22 we had a successful ABAG General Assembly focused on the ABAG-MTC merger informed by a solid panel that discussed the future of regional planning integrating housing, economic prosperity and environmental perspectives. On April 23 the Joint ABAG-MTC Committee discussed the merger proposals presented by Management Partners. On May 19th we are having a second ABAG General Assembly meeting and the ABAG Executive Board meeting to discuss the merger options. Most attention is placed on Scenarios 4 (Full Merger) and 7 (Merger of staff under MTC, followed by exploration of

governance merger). On May 25 the MTC Commission will also have a discussion on merger options. On May 27, the Joint ABAG-MTC Committee is scheduled to choose a merger option.

Agenda for 2016-2017: You will be receiving a survey requesting input on the topic priorities for our upcoming Regional Planning Committee agendas. We would appreciate your response.

Ongoing efforts

- **Plan Bay Area Public Workshops** – May 26 to June 14
(<http://planbayarea.org/your-part/meetings-events.html>)
 - Santa Clara: Thursday, May 26, 2016, 6:30 p.m. to 8:30 p.m.
 - Contra Costa: Thursday, May 26, 2016, 6:30 p.m. to 8:30 p.m.
 - San Mateo: Wednesday, June 1, 2016, 6:30 p.m. to 8:30 p.m.
 - Alameda County Plan Bay Area 2040 Scenarios Open House
 - Alameda County: Thursday, June 2, 2016, 6:30 p.m. to 8:30 p.m.
 - Marin County: Saturday, June 4, 2016, 8:30 a.m. to 1 p.m.
 - Napa County: Thursday, June 9, 2016, 6 p.m. to 8 p.m.
 - Sonoma County: Monday, June 13, 2016, 6 p.m. to 8 p.m.
 - Solano County: Monday, June 13, 2016, 6 p.m. to 8 p.m.
 - San Francisco County: Tuesday, June 14, 2016, 6:30 p.m. to 8:30 p.m.
- **Plan Bay Area 2040 Draft EIR Scoping Meetings**
 - Thursday, May 26, 2016, 11 a.m. to 1 p.m.
 - Tuesday, May 31, 2016, 6:30 p.m. to 8:30 p.m.
- **Bay Trail Openings** (www.baytrail.org/news-events)
 - Friday, May 20. 11:00 a.m. Re-opening of 4 miles of Bay Trail between Sunnyvale and Mountain View with a new trail surface provided by Google. The event will take place at the Carl Road trailhead in Sunnyvale.
- **Regional Planning Subcommittees**
 - Housing: Following presentation of the draft Housing Action Agenda April RPC meeting, Vice Chair, Jule Combs, convened a Housing Subcommittee with staff. This initial meeting was essentially organizational with discussion of committee scope and feedback to staff on work in progress toward a 2016-2017 workplan.
 - Economic Prosperity: This subcommittee is being formed and, following the guidelines for the designation of an Economic Development District, augmented with additional subregional representatives to serve as a Strategy

Committee to review the Comprehensive Economic Development Strategy. The committee will have a first meeting in June.

- Infrastructure: Committee will initially focus on the resilience of our urban water systems. This Subcommittee will be the foundation for a region-wide water Summit on November 10th. Committee will discuss how cities and water districts can align efforts locally and regionally. It will meet in June, August, and September. The first meeting will be June 22nd 2-4pm.

Establishing an Economic Development District in the Bay Area

June 1, 2016

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Date: June 1, 2016

To: ABAG Regional Planning Committee

From: Cynthia Kroll, Chief Economist
Johnny Jaramillo, Senior Regional Planner
Arrietta Chakos, Senior Policy Advisor, Resilience Initiative

Subject: **Establishing an Economic Development District in the Bay Area**

Introduction

In 2015, staff presented a *draft Regional Economic Development Framework* to both the Executive Board and RPC. The purpose of this presentation was to begin to address the economic challenges and opportunities identified in the first Plan Bay Area adopted in 2013. The Board directed staff to proceed with a comprehensive and inclusive process to assemble existing work by economic organizations to develop a long-term framework and process to identify the region's challenges and potential solutions for collaboration drawing from the large body of existing work in this area. A consensus emerged that more needed to be done to coordinate these and other economic and workforce development efforts across the region.

Overview

Interest is converging in economic development in the Bay Area. Building on the knowledge and past work of business, workforce, and education based organizations in the region, there have been several regional efforts to define a path towards economic resilience in the region. Some of the most recent include the Roadmap for Economic Resilience, the Economic Prosperity Strategy, and the Community College Consortium's recent planning efforts to better align workforce skills with business needs. Important subregional efforts are also underway to identify strategies and plan actions across jurisdictions to strengthen business and workforce capacity. Keeping these efforts in regional perspective has the potential to strengthen their effectiveness. The US Economic Development Administration offers a framework for enhancing economic and workforce development efforts at a multijurisdictional level through establishing an Economic Development District (EDD) with a Comprehensive Economic Development Strategy (CEDS) report.

Establishing a Bay Area Economic Development District (attachment 1) provides an overview of the steps to establish an EDD, the benefits involved, and next steps. The document also describes the Strategy Committee that would guide the process, which is made up of members of the RPC Economic Prosperity Subcommittee as well as additional subregional representatives. The *Draft Scope of Work* (attachment 2) summarizes the specific tasks and timing to establish a regional EDD and complete the required CEDS report.

ABAG staff will present the approach to establishing a regional EDD and Arrietta Chakos, Senior Policy Advisor, will explain the confluence of economic development efforts with a

Establishing an Economic Development District in the Bay Area

June 1, 2016

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broader resilience perspective for the region. We have also invited Malinda Matson of the US Economic Development Administration, and Darien Louie of East Bay Economic Development Alliance to contribute to this discussion and answer questions. Malinda Matson will explain the role of a regional Economic Development District in obtaining support from the Federal government, and Darien Louie will describe the role subregional areas will play in this effort.

Attachments

1. Establishing a Bay Area Economic Development District
2. Scope of Work

Establishing a Bay Area Economic Development District A Public Private Collaborative to Improve Economic Resilience and Prosperity

Most of the Bay Area is outpacing the state in employment growth, while eight of the region's nine counties have March 2016 unemployment rates below the statewide level of 5.6 percent, indeed well below "full employment." Yet the long term volatility of the region's employment base, and struggling geographies and population groups and sectors even in periods of plenty, point to ongoing needs for attention to economic resilience. The Bay Area has a wealth of active, strong, experienced economic and workforce development organizations that address segments of these concerns, focusing on particular economic resources (business advocacy or workforce training for example), geographic areas (such as the East Bay), or populations in need. The US Economic Development Administration offers a framework for enhancing this work through addressing economic and workforce development concerns at a multijurisdictional level through establishing an Economic Development District (EDD) with a Comprehensive Economic Development Strategy (CEDS). By considering needs, resources, and programs at multiple levels across the region, the Bay Area can create a more complete set of resources and strategies to maintain a resilient economy and expand opportunity in the region.

Background

For nearly half a century, the Association of Bay Area Governments has produced regional economic and demographic forecasts, analysis and policy approaches for the region. As the Council of Governments for the Bay Area's nine counties and 101 cities and towns, ABAG facilitates communication among jurisdictions, organizations, and other stakeholders, and enables collaboration and understanding on regional economic, housing, environmental and resilience issues.

The Bay Area's first *Sustainable Communities Strategy*, Plan Bay Area, was adopted in 2013 by ABAG and the Metropolitan Transportation Commission (MTC), coordinating long range plans for land use with transportation investments. Business groups, local jurisdictions and other stakeholders have emphasized the need to better address the region's economy in Plan Bay Area. A few areas of concern include:

- ensuring greater business input to strengthen the competitiveness and resilience of the regional economy;
- reducing regional economic and workforce disparities;
- enhancing existing business districts and job centers, including those near transit;
- improving the connection between the region's job centers and impoverished communities by expanding transportation access;
- improving the region's resources for workforce development, and;
- expanding and retaining goods movement, advanced manufacturing, and industrial businesses.

In response to these concerns and based on consultations and collaboration with federal, state, regional and local stakeholders including the EBEDA, BAC, the Bay Area Community College Consortium and Workforce Development Boards, ABAG is preparing a *Comprehensive Economic Development Strategy*

(CEDS) report to establish a regional Economic Development District (EDD), as defined by the US Economic Development Administration (EDA). The CEDS report and regional EDD will address the concerns raised by the business community, and serve as a platform to coordinate and elevate the multiple subregional economic and workforce initiatives and provide additional resources to the region. For more information, see <http://www.eda.gov/ceds/>

Overview

What is an Economic Development District?

An Economic Development District (EDD) is a county, or ideally a region, designated by EDA to receive economic and workforce development related technical assistance and grant funding. A number of cities, counties and organizations in the region are exploring or have taken initial steps towards defining Economic Development Districts within their areas of concentration. A Regional Economic Development District would make the Bay Area more competitive for federal economic and workforce development funding and could support sub-regional economic development efforts that address needs of the region's diverse communities and workforce. A regional EDD would also support the integrated regional plan for growth and economic prosperity envisioned by Plan Bay Area and more recent studies and the new Workforce Innovation and Opportunity Act (WIOA) requirement for greater state and regional collaboration.¹ Emerging regional economic and workforce development efforts could benefit from this strategic focus on economic development.

What is required?

The completion of a Comprehensive Economic Development Strategy report, or CEDS, is necessary to establish a regional Economic Development District (EDD). The Boards of Supervisors from at least five of the nine Bay Area counties must approve establishing a region-wide EDD. Once adopted, regions must produce an Annual Performance Report and update the CEDS report at least every five years to qualify for EDA assistance. The CEDS report has four required sections, much of which has been completed or addressed through various reports including ABAGs *State of the Region*, the Bay Area Council Economic Institutes *Roadmap for Economic Resilience*, the East Bay Economic Development Alliances *Building on our Assets*, and the *Economic Prosperity Strategy* that focused on economic opportunity for low – and moderate-wage workers:

1. *Summary Background*: a summary background of the economic conditions of the region;
2. *SWOT Analysis*: an analysis of regional strengths, weaknesses, opportunities and threats;
3. *Strategic Direction/Action Plan*: this is the core of the document, which builds on the findings from the SWOT analysis and incorporates relevant elements from other regional plans (e.g., Plan Bay Area, the Roadmap for Economic Resilience, Building on our Assets Economic Development and Job Creation in the East Bay, Silicon Valley Leadership Group Work Plan, North Bay

¹ WIOA, signed into law on July 22, 2014, supersedes the Workforce Investment Act and is the first legislative reform in 15 years of the public workforce system. WIOA seeks to enhance coordination among federal, state, regional and local employment and training services. Every state is required to submit a four year strategy for preparing an educated and skilled workforce that meets the needs of employers, while promoting regional collaboration and service alignment of workforce programs with regional economic development strategies to meet the needs of local and regional employers. The WIOA state unified and local plans take effect July 1, 2016.

Leadership Council’s Top Priorities, the Economic Prosperity Plan, Cascading Failures Threats to Transportation and Utilities), as well as putting efforts within the region that focus on specific subregions, issues or goals into regional context. The action plan also identifies the stakeholders responsible for implementation, schedule, and potential opportunities for the integrated use of other local, state, federal and private funds;

4. *Evaluation Framework*: performance measures used to evaluate the implementation of the CEDS action plan and impact on the regional economy.

In addition, the CEDS report must incorporate the concept of “comprehensive economic resilience.” In the Bay Area, this means the ability to avoid, withstand, recover from and adapt to economic shifts, natural disasters, and the impacts of climate change. For example, a major seismic event would affect not only our transportation, energy, and water infrastructure, crippling business supply chains, but potentially displace a significant portion of our workforce, substantially delaying the ability of firms to resume business. Incorporating economic resilience throughout the CEDS is the most effective approach to ensure that policies and programs align within the region.

Establishing a broadly representative Strategy Committee is also necessary to guide the development of the CEDS. The Strategy Committee is the principal facilitator of the CEDS process and responsible for guiding the strategy development. This includes identifying the specific steps and implementation agents necessary to build on our existing assets and address critical barriers to continued economic prosperity in the region. The Strategy Committee should broadly represent the main economic interests of the region including business organizations (e.g. economic organizations and chambers of commerce), workforce interests (e.g. Workforce Development Boards), educational institutions (e.g. Community College Districts), and equity and minority representatives (e.g. non-profits, CBOs).

Benefits of a Bay Area Economic Development District (EDD)

A regional EDD would support economic and workforce development through *grants, technical assistance and partnerships* with the EDA and other public and private entities (e.g. foundations). Completing a regional CEDS report would leverage and directly support the ability of jurisdictions and other public and private organizations to obtain grants or other assistance from a variety of public and private sources. For example, many federal agencies including the Department of Labor, Agriculture, and the USDA specifically look for a multi-jurisdiction CEDS or equivalent plan when deciding to offer grants and other assistance. To obtain federal dollars, many agencies now require that applicants work with an economic development collaborative. Other benefits of a regional EDD and CEDS report include:

- Identification of the region’s challenges and specific priority actions necessary to address them
- Assistance to identified priority industry sectors and clusters
- Infrastructure funding for cities including increasing broadband capacity
- ABAG is working to increase the number of communities with integrated hazard mitigation and climate adaptation plans. Communities with such plans are eligible for pre-disaster technical and funding assistance to implement resilience actions through federal agencies and departments.
- Benefits from other public as well as private sources include leveraging available funds and technical assistance for economic and workforce development, and support for sub-regional groups to develop collaborative proposals and plans

Proposed approach

ABAG, based on its role as the Council of Governments (COG) for the region and its strengths in convening stakeholders, economic analysis and forecasting, will prepare the CEDS report to establish an EDD. *ABAG would facilitate the process to establish and maintain a regional EDD, but no single entity can “own” a region-wide EDD. It requires broad-based collaboration and support from a diverse range of stakeholders. This process of collaboration would be led by a Strategy Committee, which will include the Economic Prosperity Sub-Committee of ABAG’s Regional Planning Committee as well as additional Subregional Representatives .*

A majority of the Bay Area’s nine counties need to approve a regional EDD via their Boards of Supervisors. The Strategy Committee will include members of the Regional Planning Committee as well as additional participants to ensure appropriate subregional representation by population size (e.g. East Bay, South Bay, West Bay, North Bay). Federal EDA guidelines also require representation of the following groups:

- 1) Business and Economic Support Organizations (e.g. Economic Organizations, Chambers of Commerce)
- 2) Workforce (e.g. Workforce Investment Boards and Labor)
- 3) Educational Institutions (e.g. Community College Districts, Adult Education, K-12 School Districts)
- 4) Equity and Minority Representatives (e.g. non-profits, CBOs)
- 5) Specified Regional Representatives (e.g. MTC, BAAQMD, Regional Water Quality Control)

Next steps

- Form a Strategy Committee
- Draft preliminary CEDS report for Strategy Committee review

In collaboration with our partners ABAG is reaching out to *key economic and workforce agencies as well as related organizations and institutions including education and training providers, Workforce Development Boards, foundations, NGOs and community-based organizations*, to gauge interest in joining a preliminary Strategy Committee. We will then host an informational meeting for the Strategy Committee including a presentation from the federal Economic Development Administration (EDA) in June.

ABAG will take the lead in developing a draft CEDS for the Strategy Committee’s review, including a background summary of the region’s economic conditions, strengths and challenges, and a “summary synthesis” of potential regional priority actions reflecting relevant key economic and workforce findings and recommendations from various regional and state organizations (e.g. BACEI, EBEDA, SPUR, PBA, California Economic Summit, California Community Colleges Taskforce on Workforce, and ABAG’s State of the Region and Resilience Program reports). The analysis will also address how different aspects of our economy relate to resilience and environmental issues and how they are currently affecting local communities and the region as a whole.

Thanks in advance for your suggestions and recommendations.

Draft: Scope of Work

Process to Establish a Regional Economic Development District (EDD) & Comprehensive Economic Development Strategy (CEDS) report

Overview: The purpose of this project is to create the Comprehensive Economic Development Report (CEDS) which is the underlying document to establish a Bay Area Economic Development District with the US Economic Development Administration. While several groups within the Bay Area have also begun the process of creating such a document for their area, by considering needs, resources and programs across the nine counties, the Bay Area can improve access to resources and create a stronger set of strategies to maintain a resilient economy and expand opportunity in the region.

This document summarizes the scope of work involved in creating a Bay Area CEDS.

ACTION / TASK	DESCRIPTION/ ANALYSIS	Timing
Task 1 Participation Framework and Stakeholder Engagement	At the outset of the CEDS, key stakeholders are identified and a Strategy Committee is formed to overview the development of the CEDS	Ongoing
Identify stakeholders to create a regional EDD & CEDS and develop a website to support outreach	Identify key business, workforce, education, and equity organizations that can advance economic development and workforce actions, which build on the region's assets and address its challenges.	September 2015 - April 2016 and ongoing
Establish the Strategy Committee	Invitations will be sent by mid-May	05/16/16
Strategy Committee Meeting 1	Initial kickoff meeting & presentation of recent findings in the region with US EDA (invited) and preliminary review of Tasks 1 - 3 below	06/15/16
Engagement process	Broader engagement will continue as part of the development of material for the CEDS including regional and sub-regional meetings (e.g. EBEDA, Bay Area Community College Consortium, BAC, San Jose / Silicon Valley Chamber)	This process will continue through preparation of the CEDS
Task 2 Background Economic Conditions	Update information from existing background material (State of the Region, Building on Our Assets, Economic Prosperity Report, and others) <ul style="list-style-type: none"> • Demographic and socioeconomic trends • Infrastructure assets • Emerging or declining clusters or industry sectors • Interrelations of subareas within the region and to the larger Bay Area economy • Relationship of Bay Area's economy to the state and broader economy 	06/01/16 - 08/1/16

Draft: Scope of Work

ACTION / TASK	DESCRIPTION/ ANALYSIS	Timing
Task 3 Regional Strengths, Weaknesses, Opportunities and Threats (SWOT Analysis)	Building on Task 2 this section identifies critical internal and external socio-economic factors that speak to the region's unique assets and competitive positioning.	July – August 2016
<ul style="list-style-type: none"> Economic Considerations and Resiliency 	Identify factors and elements to ensure the long term success, viability and durability of the regional economy and for consideration in planning and preparation for growth, aging infrastructure, climate change etc.	July – August 2016
<ul style="list-style-type: none"> Create SWOT matrix 	<ul style="list-style-type: none"> Workforce considerations Spatial efficiencies/ sustainability (land use, housing, economic development, transportation, and infrastructure to support regional prosperity) 21st century infrastructure needs (e.g. broadband, energy) Identify potential key partners and resources to support economic and workforce development, implement changes where needed, and leveraging existing public and private funds (e.g. OBAG, TOAH, Rockefeller 100 Resilient Cities, foundations) 	July – August 2016
Task 4 Strategic Direction and Action Plan	This section of the CEDS draws on a broad range of existing resources as well as engagement with the Strategy Committee to identify and rank key actions and to describe how these actions link to the major economic development goals and conditions of different groups and locations within the region.	July - August 2016
Strategy Committee Meeting 2	Early in this task, the Strategy Committee will meet with ABAG staff and organizations that have expressed interest in engaging in a process to define and describe regional strategies and actions	July 2016
<ul style="list-style-type: none"> Vision Statement: Goals and Objectives 	Identify broad outcomes and more specific and measurable objectives	July 2016
<ul style="list-style-type: none"> Action Plan/ Implementation 	Identify actions across interrelated dimensions: housing, transportation, broadband, environmental and responsible individuals and institutions.	August 2016

Draft: Scope of Work

ACTION / TASK	DESCRIPTION/ ANALYSIS	Timing
Task 5 Evaluation and Performance Metrics	Gauges progress on the successful implementation of the CEDS and provides information for the Annual Performance Report. Annual updates keep the strategic direction and action plan outlined in the CEDS current and the plan as a whole relevant	August 2016
Strategy Committee Meeting 3	Strategy Committee to engage in the development of the performance measures	First half of August 2016
Begin Report Rollout - Draft Preliminary Report Available for Comment and Review	Distribute widely, subregional presentations and incorporate comments from Strategy Committee, Board of Supervisors, and other stakeholders	September 2016
Draft Final Report for Comment and Review	Distribute widely and incorporate comments from Strategy Committee, Board of Supervisors, and other stakeholders	10/30/16
RPC Presentation		12/07/16
ABAG Executive Board Presentation		01/19/17
County Board of Supervisors Presentation	Begins at Report Rollout 9/1/16 through 3/1/17	03/01/17
Final Report	The final CEDS report will include the background materials, SWOT, strategies, and an accounting of County Boards of Supervisor support for the program.	03/15/17



Date: May 11, 2016
To: ABAG Regional Planning Committee
From: Miriam Chion, ABAG Planning & Research Director
Subject: **Plan Bay Area 2040 Scenarios Update**

Over the past nine months, ABAG and MTC have been collaborating to produce scenarios for Plan Bay Area 2040 that will be the subject of a series of public workshops in late May and early June. MTC and ABAG play distinct roles in developing the Plan, reflecting the policies and legal mandates of each agency established by Senate Bill 375. MTC is responsible for the transportation aspects of the Plan. ABAG is responsible for land use aspects of the Plan. Both agencies adopt the same forecasted development pattern and transportation network for the region.

In fall 2015, ABAG and MTC adopted performance targets for the scenarios and Plan Bay Area. ABAG hosted a series of meetings with elected officials, local staff, and stakeholders that led to three thematic scenario concepts with unique visions for the region's future: Main Streets (Scenario 1), Connected Neighborhoods (Scenario 2), and Big Cities (Scenario 3) (see attachment, page 2). MTC solicited projects from transportation agencies for assessment and inclusion in the scenarios. ABAG adopted the regional forecast of population, jobs, and housing for 2010 through 2040 in January 2016. The scenarios represent three different options for how the Bay Area can accommodate the expected growth in ways that meet our goals for a more prosperous, sustainable, and equitable region.

To evaluate each scenario against the performance targets, MTC utilizes a transportation model that estimates outcomes such as GHG emissions. MTC calculates some of the other performance measures from a model called UrbanSim¹, which is a microsimulation model of household, business, and developer location choices based on market factors, development policies, and investment assumptions. UrbanSim can provide information regarding real estate market feasibility. To produce the land use scenarios, ABAG relies upon input from local jurisdiction planning staff, UrbanSim, and a variety of sustainability and equity factors.

For the purpose of the upcoming public workshops (May 26 to June 14), the scenarios discussion will focus on overarching policies, strategies, and investments across scenarios. Public, stakeholder and jurisdiction input has been captured in issue papers on Increasing Housing Choices and Affordability, Expanding Economic and Workforce Prosperity, Protecting and Enhancing Natural Assets, Improving Air Quality, and Building Resilient Communities. The discussion of growth allocation by jurisdiction and Priority Development Area (PDA) will focus now on a Preliminary Preferred Scenario and will take place between June and July.

ABAG Develops Draft Scenarios for Local Review

Beginning last September, ABAG staff has worked closely with local planners to obtain their input and ensure that the regional agencies develop three scenarios that offer

¹ More information about UrbanSim can be found at <http://www.urbansim.com/urbanism>.

ambitious but realistic visions of growth that attempt to achieve our GHG reduction goals and other performance targets. In December 2015, ABAG released preliminary draft land use scenarios for review by planning staffs from all 109 jurisdictions.

Based upon jurisdiction feedback and additional research, ABAG provided direction to MTC staff to include this information for UrbanSim to model the three scenarios. ABAG conveyed to MTC the understanding that UrbanSim would be one of a number of inputs (such as local plans, proximity to transit, trends, jurisdiction input, and the results of the *PDA Development and Feasibility Assessment*) into the scenarios. The UrbanSim output would then be adjusted by ABAG regional planners based on these inputs to create the land use scenarios (see attachment, pages 1-5).

MTC Releases Model Outputs

Last week, MTC decided to release the UrbanSim output as the three land use scenarios for Plan Bay Area 2040 without all the necessary adjustments to correspond to the original scenario narratives and local input. The UrbanSim-generated scenarios take into account some of the local input gathered by ABAG over the past six months, but include some aspects of development that are not consistent with the scenario concepts or growth ranges ABAG staff had previously discussed with some jurisdictions. Apparently, it was very difficult for UrbanSim to produce satisfactory results within the allotted time frame, and rather than further delay Plan Bay Area 2040, a decision was made to proceed with publishing the UrbanSim scenarios.

The MTC scenarios are reflected in the [staff report](#) for the May 13 MTC Planning Committee meeting and have been used to conduct performance assessments of potential transportation investments. The staff report does not provide data about job or housing growth at the county, city, or PDA level in each scenario. This information will be critical to assessing the local implications and realism of the preferred scenario that will be the focus of the next stage of our work.

The UrbanSim model produces the scenarios by applying theoretical land use policies such as upzoning and property tax assessments across large areas of the region. While UrbanSim is a very good tool to analyze a set of general conditions that balance land value and capacity, the tool by itself is not sufficient to produce feasible and meaningful growth patterns that recognize local policies or community visions. The results of this approach are some inconsistent patterns of growth that do not conform well to the approved concepts or existing or planned local conditions. For example, housing growth in Oakland is lowest in the “Big Cities” scenario, which was intended to explore the implications of focusing growth in the region’s three largest jurisdictions. A number of jurisdictions, including some in strong real estate markets, have negative growth in households, jobs, or both over the 30-year scenario period. Conversely, some jurisdictions have unrealistically high growth in households (e.g., unincorporated Solano County) or jobs (e.g., Orinda non-PDA area). Another anomaly is the inclusion of mega-projects such as a nearly 40,000-unit development in Mountain View’s North Bayshore area that would more than triple the city’s population.

Given where we are in the schedule, however, it makes more sense for both agencies to focus on the Preferred Scenario rather than spend time trying to correct portions of the three initial scenarios. To that end, ABAG and MTC staffs believe there is still time to appropriately merge local jurisdictional input with UrbanSim to achieve a solid Preferred

Scenario. This will involve adjustments to the UrbanSim output to reflect a plan that is based on economic realities as well as the priorities voiced by the jurisdictions.

Towards a Preferred Scenario for Plan Bay Area 2040

ABAG will work with MTC to produce a Preferred Scenario that takes into account local input and will serve as the basis for Plan Bay Area 2040. Through this process, staff will be able to present a single set of numbers for discussion with local jurisdictions that balances feedback received to date, the need to achieve our region’s GHG reduction and other performance targets, market trends, as well as the real estate insight of UrbanSim. For the other aspects of the Plan, MTC will prepare the performance targets analysis and transportation analysis. ABAG and MTC will jointly prepare the Plan’s policies and strategies; MTC will focus on transportation as its expertise, ABAG will focus on housing, jobs, open space, and resilience.

Upcoming Milestones

May-June:	Public Workshops
May 13 – June 13:	Gather local and stakeholders input to inform Preferred Scenario
July:	Release of Preferred Scenario
July-August:	Feedback on Preferred Scenario & final revisions
September:	Joint ABAG/MTC Board meeting –Preferred Scenario Approval

Requested Action

Direct staff to develop a preferred scenario that takes into account local input and maximizes the goals of Plan Bay Area in line with the Sustainable Communities and Climate Protection Act of 2008 (SB 375).

Attachment 1. ABAG Land Use Scenarios Process March 2016

The Bay Area in 2040: Three Scenarios

The Scenario Process in Plan Bay Area

ABAG forecasts that the Bay Area will add 1.3 million jobs, 2.4 million people, 782,600 households and 822,600 housing units between 2010 and 2040. While half of the employment growth had already occurred by the end of 2015, there remain almost 673,000 jobs, over 1.9 million people, 690,000 households and 765,000 housing units to accommodate in the region between now and 2040. This is a 17 percent increase in employment and over a 25 percent increase in people, households, and housing units.

A large urban area with millions of residents and workers requires many cross-cutting strategic decisions as to how it can function as strains on critical infrastructures are ever more apparent. The transportation system needs to be able to flexibly adjust to substantial increases and geographic re-mappings of demand, sometimes even within an economic cycle. The housing market is charged with accommodating new residents, but lead times are substantial, prices are stubbornly high, and the relation to the transportation networks often tenuous. To understand how a growing economy over the next 25 years of the magnitude described above might affect the region's land use and transportation demand, ABAG and MTC have developed three scenarios to show different strategic approaches we can collectively take to accommodate expected growth while meeting our goals for a sustainable, equitable, and less congested region. The scenarios incorporate different land use strategies and combinations of transportation investments to illustrate tradeoffs between alternatives and serve as a building block for identifying the preferred scenario, which will incorporate some of the best ideas from each scenario alternative.

Details of the development of the draft scenario concepts and initial assumptions were presented to the Regional Advisory Working Group on January 26, 2016.¹ They have also been shared with local City Councils, County Boards, Planning Directors, and representatives of advocacy organizations between December 2015 and March 2016. ABAG and MTC staff have used the input provided by these groups to refine the policies and investments used to shape each scenario. The latest assumptions are described in Appendix B.

This report presents the distribution of jobs and households that can reasonably be expected to result from the policies and investments described for each scenario. Results are presented by jurisdiction and by Priority Development Area (PDA). The body of the report gives an overview of growth by county, major city, and between PDAs and other parts of the region. Appendix A presents household and total employment growth by jurisdiction and PDA in each scenario.

ABAG and MTC will be seeking feedback from policymakers, stakeholders, and members of the public about these three scenarios. The input received will be used to inform the development of a Preferred Scenario, which is scheduled for adoption by ABAG and MTC in Fall 2016.

¹ Materials from the meeting are available at: <http://mtc.ca.gov/file/42926/download?token=0zELxuiP>

The combinations of strategies in the scenarios are included to enable a discussion about regional priorities, and do not represent all of the potential public policy interventions that regional, state, or local governments could use to accomplish the Plan's goals. For instance, the specific structure of many potential state and local tax and regulatory policies falls largely outside the analytic scope of the scenario process, and requires a separate, more robust public policy analysis to determine costs and benefits. Once the preferred scenario is adopted, the final *Plan Bay Area 2040* document will describe a wider range of policies to support the Plan's goals.

The Three Scenarios and Their Major Assumptions

Each scenario proposes a different vision for how the expected growth in population, jobs, households, and housing units might be distributed, as well as the types of transportation investments needed to support the proposed land use pattern. *Scenario 1* describes a more dispersed pattern of growth with community expansion spread more widely across the region. *Scenario 2* identifies major urban corridors along which future growth will concentrate. *Scenario 3* concentrates growth further in the region's three large cities and in specific expansion nodes tied to the region's large corporate centers.

Scenario 1 targets future population and employment growth to the downtowns of every city in the Bay Area to foster a region of moderately-sized, integrated town centers. As in the other scenarios, most growth will be in locally-identified PDAs, but this scenario offers the most dispersed growth pattern, meaning that cities outside the region's core are likely to see higher levels of growth and, within cities, more growth will be accommodated outside of PDAs than in the other two scenarios. The economic development policies focus on trying to distribute jobs outside the region's core. Because of its dispersed nature, this scenario does include some development outside of urban growth boundaries. And the policies to encourage housing choices—such as promoting second units, reducing parking minimums, and resources for affordable housing—would apply broadly to jurisdictions throughout the region.

Scenario 2 targets growth to locally-identified PDAs and areas with good transit throughout the region, with an emphasis on growth in medium-sized as well as large cities with access to the region's major rail services, such as BART and Caltrain. Outside the PDAs, this scenario sees modest infill development, but avoids growth outside urban growth boundaries. As these communities grow over the next 25 years, compact development and strategic transportation investments will provide residents and workers access to a mix of housing, jobs, shopping, services, and amenities in proximity to transit traditionally offered by more urban environments. Resources for affordable housing will be dispersed across the Bay Area, with some concentration in PDAs to support the development of affordable housing where the most population and employment growth is targeted.

Scenario 3 concentrates future population and employment growth in the locally-identified PDAs within the Bay Area's three largest cities: San Jose, San Francisco, and Oakland. Neighboring cities that are already well-connected to these three cities by transit will also see increases in population and employment growth, particularly in their locally-identified PDAs and through the diversification of large corporate campuses. The amount of growth outside these areas is minimal, with limited infill development in PDAs and no development outside urban growth boundaries. Growth in the three biggest cities and their neighbors will require substantial investment to support transformational changes to accommodate households of all incomes. This scenario will prioritize strategies to make these existing urban neighborhoods even more compact and vibrant, and enable residents and workers

to easily take transit, bike, or walk to clusters of jobs, stores, services, and other amenities. Resources for affordable housing will likewise be directed to the cities taking on the most growth.

Approach to Growth Allocation

As noted earlier, the three scenarios each distribute the total amount of growth expected in the Bay Area between 2010 and 2040, as identified in the *ABAG Regional Forecast for Plan Bay Area 2040*.² The distribution of population, employment, households, and housing units throughout the region was achieved through an iterative process that involved both technical adjustments and extensive review within and from outside the agency. This report focuses on the distribution of households and of total employment. Steps include:

1. **Defining a baseline for 2010:** The 2010 baseline data from *Plan Bay Area 2013* was revised based on updated information. Baseline data sources include the US Bureau of the Census' Decennial Census for 2010 population and household totals and PDA total estimates; the US Bureau of the Census' American Community Survey and Census Transportation Planning Products 2006-2010 data for estimates of the self-employed by place of work; and a custom data run for 2010 by the California Employment Development Department of wage and salary employment by jurisdiction.³
2. **Framing initial scenario outcomes:** Staff analyzed the *Plan Bay Area 2013* distribution, historical trends, and a broadly defined set of location criteria to develop an initial framework for representing the baseline and numerical distributions for the three scenarios. Location criteria included transportation access, employment levels and trends, housing prices, and community characteristics. In addition, jurisdiction records on recently completed, pipeline, and planned projects were added as information became available, modified where necessary if other sources of information on feasibility (the PDA Feasibility Study⁴ or UrbanSim algorithms) suggested the planned growth was unlikely to be achieved.
3. **Modeling scenario concepts:** UrbanSim, a microsimulation model of household, business and developer location choices, translated each scenario concept into a distribution of households and jobs based on market factors, land use and development policies, and investment assumptions.⁵ UrbanSim has been calibrated by MTC staff to the specifics of the Bay Area housing market. The model is "trained" from existing patterns to represent, among other things, how households of varying types "sort" into the housing stock according to relative differences in housing prices and access to amenities; how businesses in different industries value access to freeways or dense downtown areas; and how developers in turn pick sites for development projects given prevailing costs and expected returns. UrbanSim responds to a range of land market policy measures (such as land supply and development capacity) and has a fast enough runtime to allow for rapid experimentation on the effects of policies ranging from growth boundaries, to zoning, to impact fees for affordable housing. Ultimately, the model helped calibrate each scenario vision with what is reasonably foreseeable and feasible.

² Adopted by the ABAG Executive Board on January 19, 2016. Available at:

http://reports.abag.ca.gov/other/Regional_Forecast_for_Plan_Bay_Area_2040_F_030116.pdf

³ EDD and BLS employment tabulations are not available for anything below the county level.

⁴ Economic and Planning Systems, Inc., with Community Design + Architecture, *PDA Assessment Update*, Report EPS #141101, Prepared for the Metropolitan Transportation Commission, November 2015.

⁵ See <http://www.urbansim.com/urbansim>

4. **Modifying modeled results:** ABAG staff reviewed the UrbanSim model output and, when necessary, adjusted the results based on:
 - a. Comparison with the initial scenario analysis based on the *Plan Bay Area 2013* distribution, historical trends, and location criteria
 - b. Jurisdiction feedback on this initial scenario analysis
 - c. Jurisdiction and ABAG planning department input on recent and pipeline developments and specific plans
 - d. Feedback on model design and output from trade, advocacy and community organizations (such as the Building Industry Association of the Bay Area, the 6 Wins Coalition, Public Advocates, Greenbelt Alliance, the Sierra Club), and other public officials, business representatives and board representatives who are part of the Regional Advisory Working Group or county congestion management agencies
5. **Recalibrating the distribution** to create a consistent set of estimates that add up to the forecast totals.

The result is an UrbanSim-based description of each scenario. The detailed output is useful as an input for transportation modeling, while the types of policies that lead to the detailed output are informative for the discussion that will follow on how to achieve the land use pattern defined in the selected (preferred) scenario.

Sensitivity Test for Performance Target Related Factors

At the later stages of scenario development, the UrbanSim model will be used to test the effects of integrating policies related to the performance targets, such as allocation of housing subsidies or stricter limits on greenfield development. Policy considerations that are not included in the structure of the spreadsheet or of UrbanSim may be incorporated elsewhere in the regional plan. For example, equity considerations regarding access to jobs may be measurable in a very limited way using model output, but policies to link low income earners to advancement opportunities in middle wage jobs may be incorporated in language in the plan describing policies that are advantageous in any of the scenarios.

Summary of Growth Allocations

This section describes the distribution of households and employment by county, jurisdiction and PDA, as it might occur if *Plan Bay Area* is not adopted (the *No Project* scenario) or under each of the three scenarios. Scenarios allow us to better understand the effects of an array of policy actions, as well as of the “status quo” scenario which serves as the baseline assumption against which the other scenarios will ultimately be evaluated using the 10 performance targets adopted by ABAG and MTC in November

2015.⁶ By design, the scenarios exhibit substantial variation across both geography as well as key dimensions of interest, such as building type and anticipated vehicle miles traveled.⁷

Overall Differences

The scenarios and the *No Project* alternative define distinct patterns of development across the region.⁸ It should be noted that relative to employment, housing growth responds more readily to different policy approaches, largely because housing growth has historically been much more constrained in the region by land use policy.

Our results are summarized both according to development concepts that shape growth policy in the region and second according to several different geographic types that are relevant to planning efforts underway throughout the region. The basic concepts are shaped around the degree to which growth is concentrated in the more urbanized jurisdictions (either the largest 3 cities, or those linked by major transportation corridors), often through infill, or in Priority Development Areas (PDAs). PDAs are focused areas where there is more capacity for development, leveraging existing and proposed transportation infrastructures. Throughout the region, 77 jurisdictions have identified nearly 190 PDAs, spread across many smaller cities and some unincorporated parts of counties, as well as in the three largest cities and the corridor cities.

As well as presenting summaries by concept type, the geographic description in the summary section applies the concepts of urban concentration of growth and PDAs to distinct geographic types within the region. The development dynamics of the region's biggest cities, Oakland, San Francisco and San Jose, are unique in the region, and this group of cities is accordingly identified separately as one geographic type (Big Cities). Second, the Eastern and Western shores of the bay have prolonged activity nodes that concentrate services along key transportation networks connecting the region's large cities. We refer to these as "corridor cities."⁹ Implementation of *Plan Bay Area 2013* focused in part on places along these corridors. We define a third geographic type as cities not counted in the preceding categories that also have planned for PDAs. The last two groups are cities without PDAs (29) and unincorporated portions of the region¹⁰. The different types of places are illustrated in the map shown in Figure 1.

⁶ The 10 performance targets are a way to systematically gauge how the various scenarios fare across a range of indicators, allowing policy makers and other interested parties to see the relative merits of each, along with costs and benefits. The targets span a range of topics, from greenhouse gas emissions to road safety, adequate housing provision, equitable access and open space preservation.

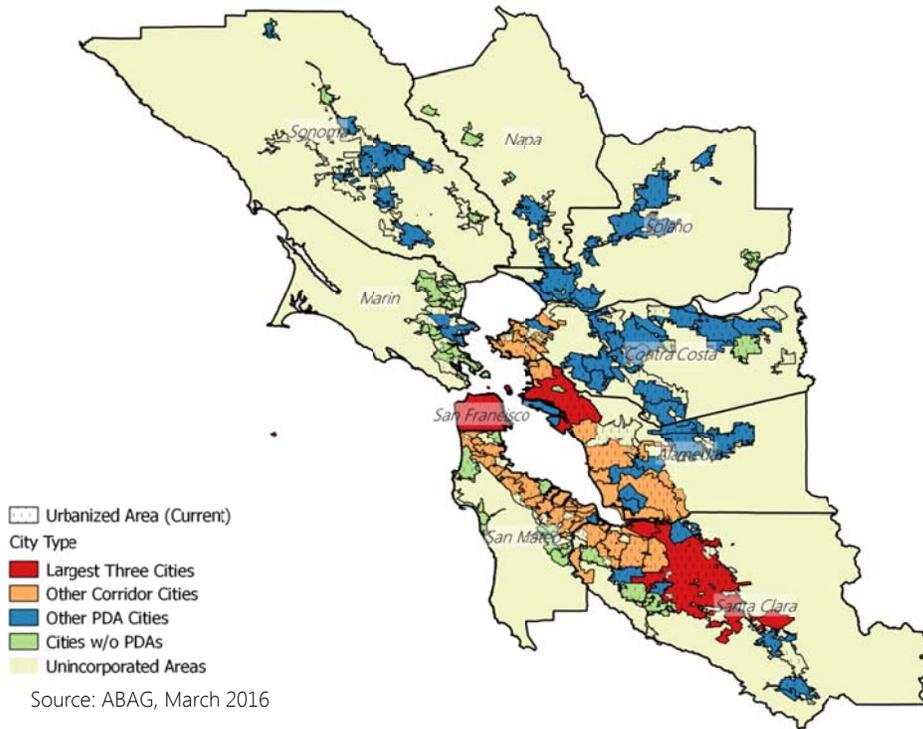
⁷ As of the time of this writing, travel model runs are not available; this statement refers to a tabulation of growth by areas, classified by whether the area currently is characterized by a high or low VMT footprint.

⁸ Detailed and aggregate results are available from UrbanSim.

⁹ Participation in the corridor strategy is voluntary by jurisdiction—a few places, represented in blue in the map, are contiguous to the defined corridor but have not participated.

¹⁰ Although some of the unincorporated jurisdictions also have PDAs, for simplicity we refer to all unincorporated portions of the region as a geographic type, rather than separating out those counties with or without PDAs in their unincorporated areas.

Figure 1: Bay Area Places by Plan Bay Area Concepts



Household and Housing Summary

Table 1a shows the distribution of household growth by Scenario according to the development concepts described earlier (rather than by the jurisdiction types mapped above). The table shows the share of household growth in the three largest cities and also by PDAs (in all cities). The three large have the highest share of growth in *Scenario 3*, while household growth is most strongly concentrated in PDAs in *Scenario 2*. (Note that in this table, the PDA category overlaps with the Three Largest Cities category, as Oakland, San Francisco and San Jose each have portions of their cities set aside as PDAs).

Scenario	Three Largest Cities	PDAs
No Project	24%	33%
Scenario 1	30%	48%
Scenario 2	33%	69%
Scenario 3	40%	56%

Table 1b shows the distribution of households by the geographic dimensions described in the earlier map. The PDAs are particularly effective in sharing growth among jurisdictions in Scenario 2. Table 1b also emphasizes the consequences of different scenarios for the unincorporated part of the region, which receives 35 percent of growth in *No Project*, 12 percent in *Scenario 2*, and only 6 percent in *Scenario 3*.

Scenario	Largest Three Cities (Oakland, San Francisco and San Jose)	Other Corridor Cities	Other PDA Cities	Cities with no PDAs	Unincorporated
No Project	24%	13%	21%	7%	35%
Scenario 1	30%	24%	22%	6%	18%
Scenario 2	33%	22%	27%	6%	12%
Scenario 3	40%	36%	13%	5%	6%

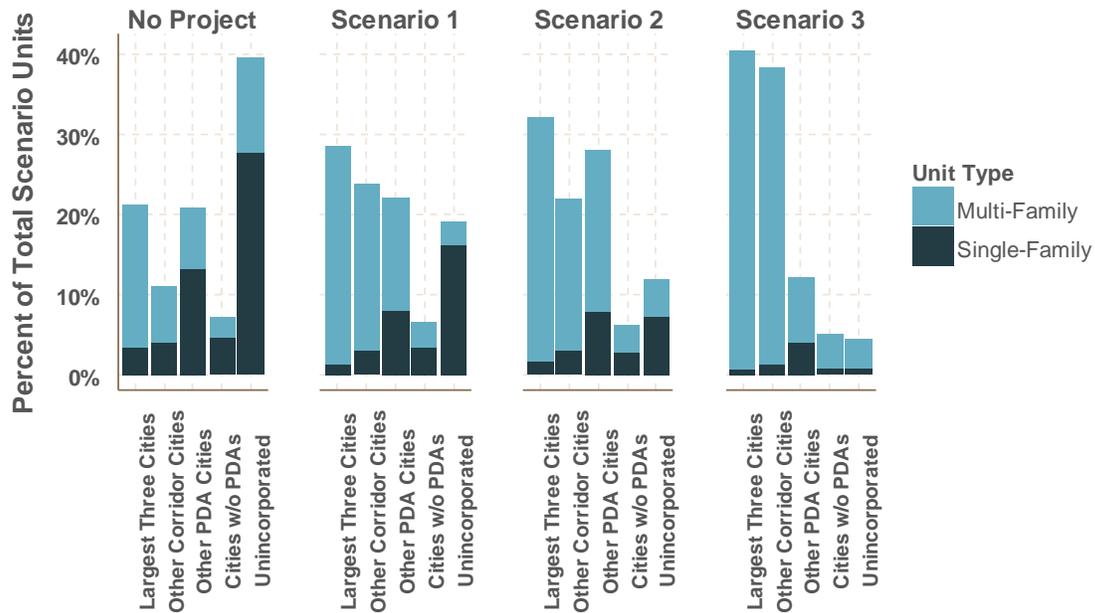
Table 2 adds a further dimension to the discussion, by identifying housing types added in the different scenarios. With no regional plan (*No Project*), the region reverts to building a majority of single family homes. With *Scenario 1*, the region continues adding a mix of homes similar to what was added in the past five years. In contrast, *Scenario 2* continues the trend of the past year, accelerating the share of multifamily units, and *Scenario 3* shifts almost entirely to the construction of multifamily units to meet the needs of the growing population in infill areas.

Scenario	Multifamily	Single-family	Total
No Project	48%	52%	100%
Scenario 1	69%	31%	100%
Scenario 2	78%	22%	100%
Scenario 3	92%	8%	100%

Source: ABAG from MTC UrbanSim runs 1113 to 1116, March 2016

Figure 2 summarizes the information in Tables 1 and 2 visually, showing the shares of new housing units by subarea, building type and scenario. While Table 1 has overlapping categories (some of the PDAs shown in the table are in the largest cities), we define distinct geographic types in Figure 2. Thus “Other PDA Cities” are cities that have PDAs, but are neither the largest nor those along the corridors. Unincorporated parts of each county are shown as a single geographic type for visual simplicity, although these also have some PDA designated areas. This figure shows graphically the transition from *No Project* through each of the Scenarios. A much higher share of growth occurs in unincorporated areas in *No Project* compared to any of the Scenarios, and a greater share of the housing in that scenario is in single family units. The big cities and other corridor cities capture the highest shares of growth, primarily with multifamily units, in *Scenario 1* and *Scenario 3*, although at very different levels. Scenario 2 is distinguished from *Scenario 1* mainly by the higher share in other PDA cities, as other mid-sized cities, such as Santa Rosa, Concord, Walnut Creek and Livermore become subregional growth nodes, and by the lower share of growth in unincorporated areas. Growth in the big three cities is also higher in *Scenario 2* compared to *Scenario 1* but lower than compared to *Scenario 3*.

Figure 2 Housing Unit Growth, 2010-2040, by Area Type and Unit Type

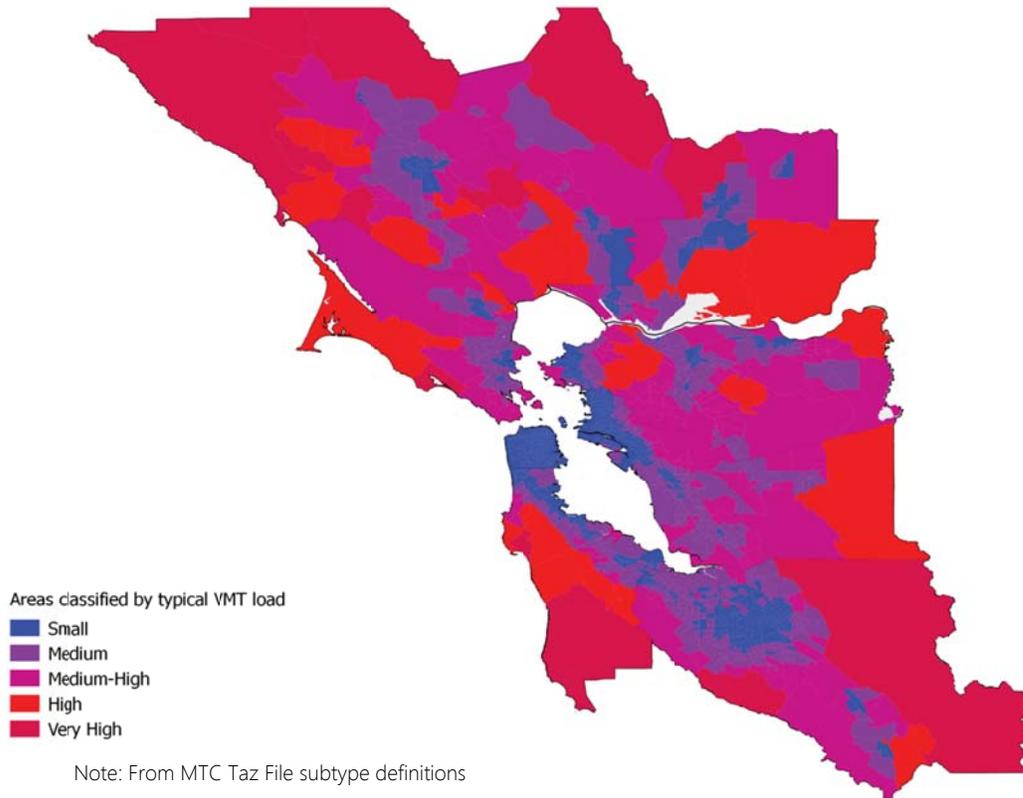


Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

Rather than by place type, locations in the region can also be classified by the “typical” amount of vehicle miles traveled for residents in that particular location, broken into five categories, from small (little driving), to medium, to medium-high, high, and very high (long distances traveled).¹¹

¹¹ This definition is applied at the travel analysis zone level (TAZ). There are 1,454 TAZs in the region.

Figure 3: Travel Analysis Zones, classified by typical VMT load.



Source: MTC, March 2016

Table 3 shows the distribution of new housing units added between 2010 and 2040, by the level of VMT where the development occurs. Each scenario is shown in a separate line.

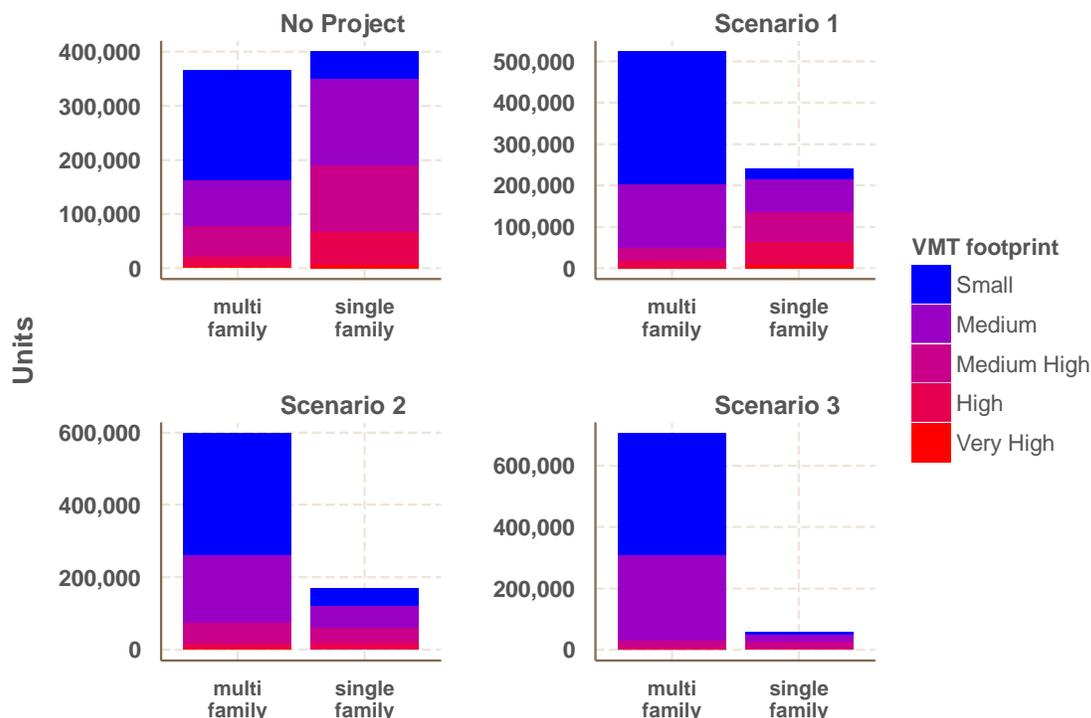
scenario	Small	Medium	Medium-High	High	Very High	Total
No Project	33%	32%	24%	10%	1%	100%
Scenario 1	45%	30%	14%	9%	1%	100%
Scenario 2	50%	33%	13%	4%	1%	100%
Scenario 3	53%	40%	6%	1%	0%	100%

Source: ABAG from MTC UrbanSim runs 1113 to 1116, March 2016.

Even with *No Project*, very little development happens in the Very High VMT areas, although the High category gets 10 percent. *Scenarios 1* through *3* receive 9, 4 and 1 percent, respectively, in the High category. The bigger differences are found in the Medium-High category, where the range is 24 percent (*No Project*) to 6 percent (*Scenario 3*), and in the Small VMT category, where under *No Project*, one-third of the units are found there, with a steady increase as we move to *Scenarios 1* (45 percent), *2* (50 percent) and *3* (53 percent). Or, to express it in policy terms, under *No Project*, 65 percent of units are found in Small and Medium VMT zones, while this figure moves to 93 percent under the most compact scenario (*Scenario 3*).

Figure 4 adds detail about housing unit types to this overview. The first panel shows the expected configuration of housing unit location with the *No Project* scenario—slightly more than half the units would be single-family attached or detached homes. For multifamily homes, about half would be located in areas with a Small VMT footprint (this share does not vary much across scenarios), while for single-family homes, about half would be located in areas with a small or medium VMT footprint.

Figure 4 Difference in building type and VMT impact across scenarios



Source: ABAG analysis from MTC Urban Sim runs 1113 to 1116, March 2016

The main factor differentiating *Scenario 1* (panel two in the figure) from the *No Project* version is that the regional plan will encourage the introduction of modest density increases to the more dispersed communities. The number of single family homes drops sharply, and the increase in multifamily homes is in areas with a small VMT footprint. Furthermore, for multifamily units, the number in medium high and very high VMT areas declines, replaced by units in medium VMT areas.

The third panel shows the distribution of households under *Scenario 2*. Of housing units added to the region, under *Scenario 2*, 78 percent will be in multifamily stand alone or residential mixed use developments, while about 22 percent will be in single-family attached or detached units. The share of households in high or very high VMT locations will drop from 11 percent in *Scenario 1* to 5 percent in *Scenario 2*.

The last panel shows the distribution of new development under *Scenario 3*. In this scenario, the great majority of housing is in multifamily stand-alone or residential mixed-use developments, while just 8 percent is in single-family units. This scenario notably consists of developments almost exclusively in low or medium VMT footprint areas.

Employment Summary

As noted earlier, growth in employment is much less responsive to land use policies than is housing. This is because there is an overabundance of commercial zoning in the region, so constraints are not generally (with notable and local exceptions) of the land use sort, and the non-residential sector is comprised of rather distinctive product types (office buildings, strip malls, warehouses, production fabs, etc.) and submarkets, where substitution across these markets and building types is less nimble than what we typically see with housing.

Comparing the distribution of employment in the three scenarios shows this relative stickiness: From *No Project* to *Scenario 3*, the most urban focused scenario, there are only modest shifts: The three largest cities receive 34 percent of employment growth in *No Project*, but 38 percent in *Scenario 2* and *Scenario 3*. The unincorporated parts of the region receive ten percent of employment growth in *No Project*, while this drops to five percent in *Scenario 3* (See Table 4).

scenario	Largest Three Cities (Oakland, San Francisco and San Jose)	Other Corridor Cities	Other PDA Cities	Cities with no PDAs	Unincorporated
No Project	34%	31%	21%	4%	10%
Scenario 1	35%	30%	23%	3%	8%
Scenario 2	38%	30%	23%	3%	6%
Scenario 3	38%	33%	21%	3%	5%

Source: ABAG from MTC UrbanSim runs 1113 to 1116, March 2016

Figure 5 shows this information graphically, with sectoral detail added. In all scenarios, the corridor cities see some loss of manufacturing, warehouse and transportation employment counterbalanced by stronger growth in professional, finance, health, education, and the “other” sector (which includes construction, information and government). The unincorporated areas see twice the employment growth in *No Project* compared to *Scenario 3*, with the higher job numbers largely comprised of retail, as well as health, education and recreation and “other.”

Figure 5 Share of Growth in Employment (2010 to 2040) by Area Type and Sector



Source: ABAG from MTC UrbanSim runs 1113 to 1116, March 2016

Share of Growth by Counties

Scenario differences by county reflect the distinct roles counties play in the region, currently and in the future. County shares of household growth vary widely by scenario. Santa Clara County has the highest share of household growth in *Scenario 3*, capturing almost half of all new households [This may change when growth in major corporate centers is tamed]. Solano County has the highest share of the region’s household growth in *Scenario 1*. In *Scenario 2*, Alameda County has the highest share of new households (See Table 5).

Table 5: Distribution of Households in 2010 and Growth of New Household by County						
County	Share of Total Base Year 2010	Share of Growth 2010-2040				
		No Project	Scenario 1	Scenario 2	Scenario 3	
Alameda	21%	16%	19%	24%	15%	
Contra Costa	14%	16%	10%	14%	6%	
Marin	4%	3%	3%	2%	1%	
Napa	2%	2%	1%	1%	1%	
San Francisco	14%	11%	15%	13%	18%	
San Mateo	10%	8%	11%	10%	8%	
Santa Clara	23%	18%	22%	21%	49%	
Solano	5%	13%	13%	8%	1%	
Sonoma	7%	13%	7%	7%	2%	
BAY AREA	100%	100%	100%	100%	100%	

Source: ABAG from MTC UrbanSim runs 1113 to 1116, March 2016

With respect to employment, there is less variation among scenarios compared to *No Project*. Santa Clara County receives 28 percent of the region’s employment growth in *No Project* while in *Scenario 3* it receives 33 percent. San Mateo and Alameda counties receive their highest shares of regional employment growth in *No Project*, although the differences in Alameda County are very small among the four scenarios. Contra Costa County and the four North Bay counties also have very little difference across scenarios in the shares of employment growth received. [Note: we will be working with UrbanSim to create greater variation in growth of local serving jobs based on household growth]. San Francisco receives the greatest share of employment growth in *Scenario 2* (19 percent). Only San Francisco and Napa counties have smaller shares of growth compared to their 2010 employment bases, consistently across scenarios. [For San Francisco, this may change when the base share is corrected for our new baseline numbers.] (See Table 6).

Table 6: Distribution of Employment in 2010 and Growth by County

County	Share of Total, Base Year 2010	Share of Growth, 2010-2040			
		No Project	Scenario 1	Scenario 2	Scenario 3
Alameda	21%	22%	21%	21%	21%
Contra Costa	11%	11%	11%	11%	10%
Marin	3%	2%	2%	2%	2%
Napa	2%	1%	1%	1%	1%
San Francisco	21%	16%	16%	19%	16%
San Mateo	9%	10%	7%	7%	8%
Santa Clara	26%	28%	30%	29%	33%
Solano	3%	4%	4%	4%	4%
Sonoma	5%	7%	8%	8%	6%
BAY AREA	100%	100%	100%	100%	100%

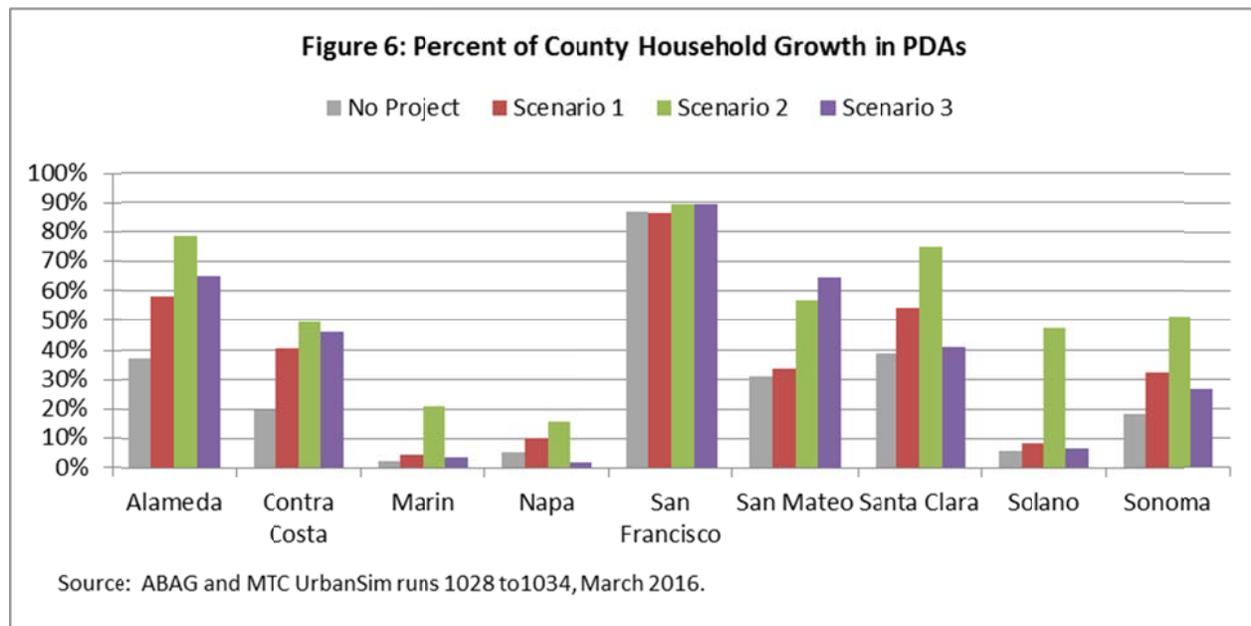
Share of growth by PDAs

Overall, somewhat less growth is concentrated in PDAs than was the case in *Plan Bay Area 2013*. A part of this is basic math: regional growth expectations for 2040 now exceed what was imagined in 2013, while the number of PDAs has actually been reduced, although acreage has changed insignificantly. With these changes, as well as adjustments to account for the PDA Feasibility study completed in Fall 2015¹², the share of growth in PDAs is expected to be smaller. *Scenario 2* has the highest share of household growth in PDAs, at 69 percent, while the lowest share occurs in *No Project* (33 percent).

New household growth is more heavily concentrated in PDAs than employment in the three Scenarios, as the PDA concept centers around residential and mixed use (commercial plus residential) development. San Francisco County has the highest share of PDA household growth in all scenarios, ranging from 86 percent in *Scenario 1* to 89 percent in *Scenarios 2 and 3*. (See Figure 6). Alameda County

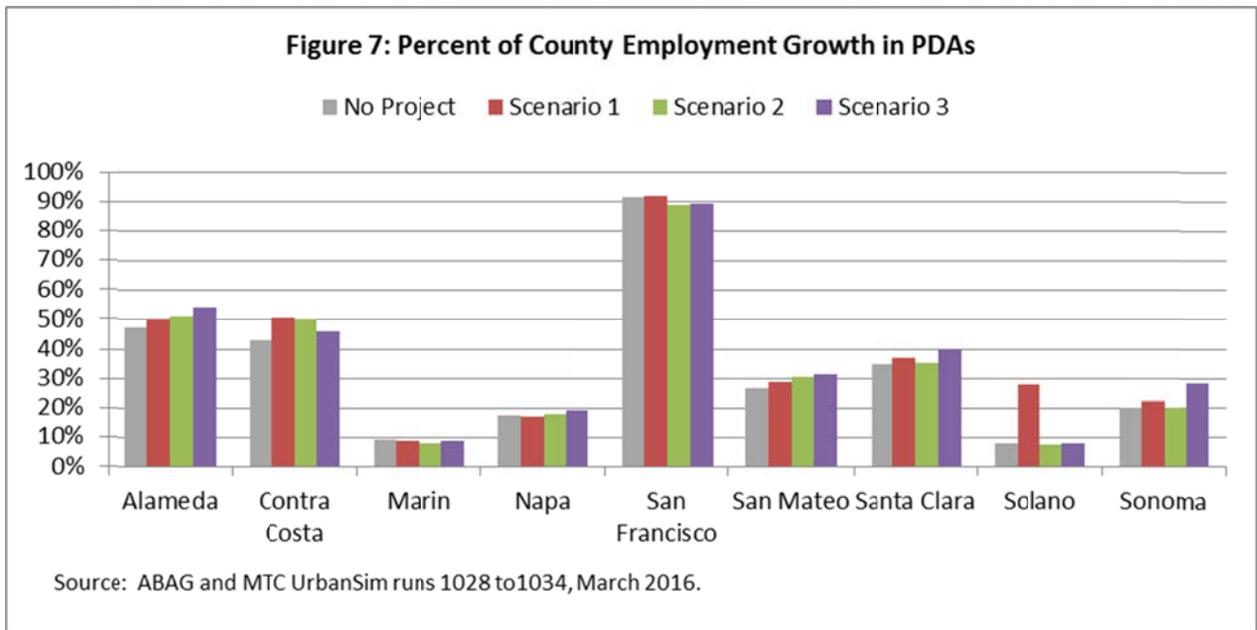
¹² Economic and Planning Systems, Inc., *op cit*

has the next highest share of household growth in PDAs, ranging from 37 percent under *No Project* to 79 percent in *Scenario 2*. Santa Clara County PDA household growth ranks third overall, with 75 percent in PDAs in *Scenario 2* and 39 percent in *No Project*. Santa Clara County’s low share of household growth in PDAs in *Scenario 3* may be surprising, given its focus on the big cities. It is in part due to strong *employment* growth under *Scenario 3*, trading off residential and commercial development in these areas, as well as the housing growth allocated around corporate centers which are not currently designated as PDAs.



Because strategies are more directed toward residential than nonresidential growth and because employment growth has been less constrained by land use restrictions than has housing growth, there is much less variation among scenarios in the share of employment growth in PDAs. Regionwide, the highest share of employment growth in PDAs, at 48 percent, occurs in *Scenario 3*, followed closely by *Scenario 1* (47 percent) and *Scenario 2* (47 percent). Even the *No Project* distribution has 44 percent of employment growth in PDAs, capturing a higher share than household growth.

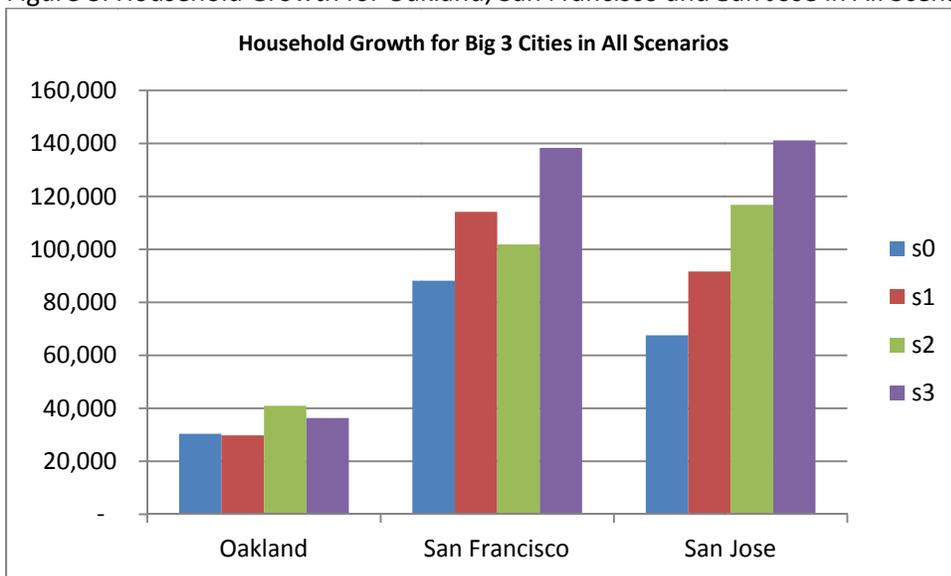
The highest share of employment in PDAs is in San Francisco *Scenario 1* (92 percent), and the county with the lowest share among the three scenarios is Marin (8 percent). (See Figure 7). Contra Costa, San Francisco, and Solano have their highest PDA shares of employment in *Scenario 1*. In the case of San Francisco, this is not because the City has more PDA-located jobs in *Scenario 1* than in the other scenarios, but because it has fewer jobs outside of the PDAs in *Scenario 1*, as the lower number of those non-PDA jobs is counterbalanced by a small increase in the number of jobs in other parts of the region. San Francisco still has a far higher share of jobs in PDAs in all three scenarios compared to any of the other counties. In contrast, Contra Costa and Solano counties have higher shares of employment within PDAs in *Scenario 1* because a higher share of growth overall is going to smaller jurisdictions in this scenario.



The Big Cities and Places with the Largest Amounts of Growth

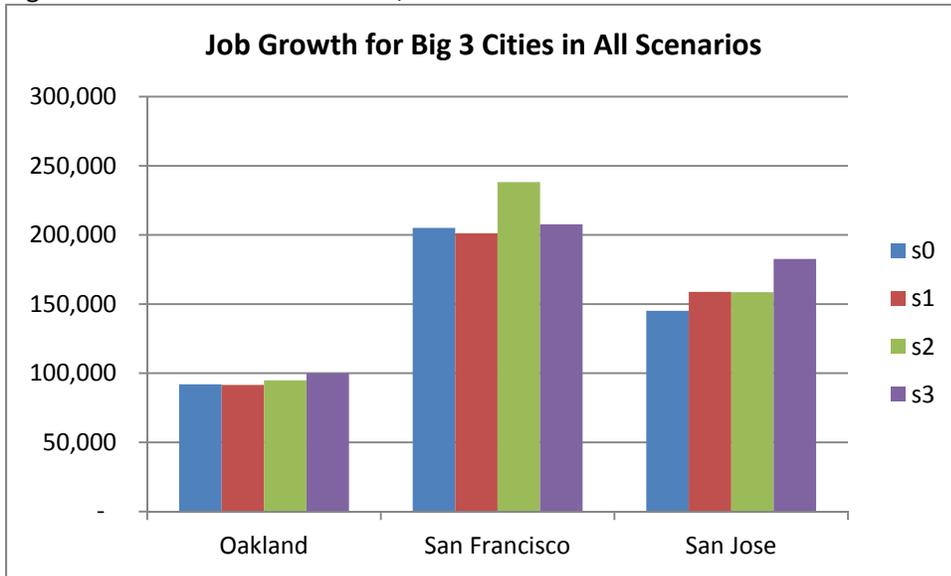
The scenarios are further characterized by growth differences among jurisdictions and other places within the counties. Most of these differences are much more pronounced in the distribution of households than that of employment. This is apparent from comparing household and employment change in the three biggest cities. As shown in Figure 8, household growth is most heavily concentrated in the big three cities in *Scenario 1* and least heavily concentrated in *No Project*. Employment growth, in contrast, varies much less, and less regularly across the three cities. San Francisco’s highest growth occurs in *Scenario 2*, while San Jose’s highest growth occurs in *Scenario 3*. (See Figure 9).

Figure 8: Household Growth for Oakland, San Francisco and San Jose in All Scenarios



Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

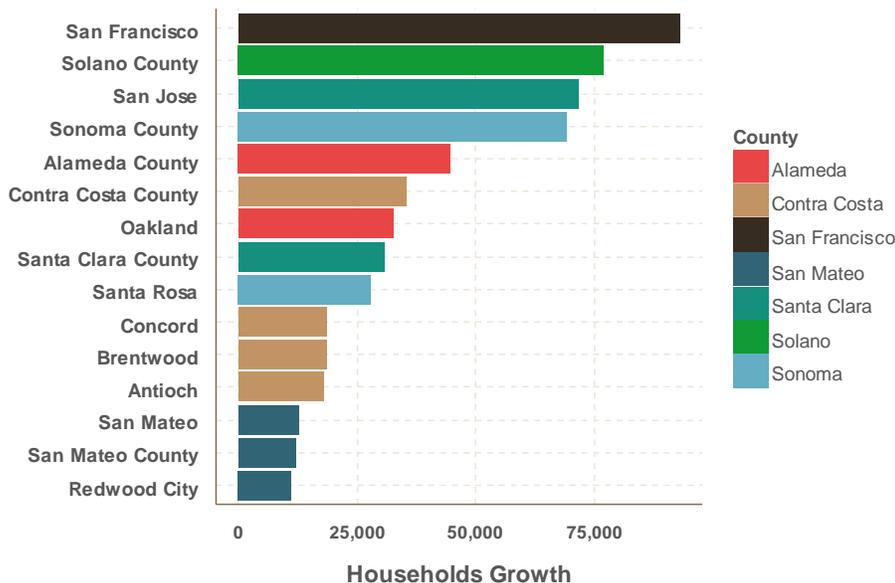
Figure 9: Job Growth for Oakland, San Francisco and San Jose in All Scenarios



Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

The following 8 bar charts, Figures 10 to 17, show the places capturing the most growth (household and employment) in each of the three scenarios and *No Project*. Each bar is colored to indicate in which county the place is located. Where the place includes “County” in its name, this indicates the total growth in the unincorporated places within the county. For example, in Figure 10 (household growth, *No Project*), the unincorporated portion of Solano County receives the second highest amount of household growth of anywhere in the region, after San Francisco. Note that the chart scale changes with scenario. In Figure 10, household growth under *No Project*, no city receives 100,000 households or more. San Francisco receives more households than any other place in *No Project*. In contrast, San Francisco drops to number two in terms of total household growth in *Scenario 2* (Figure 12) and *Scenario 3* (Figure 13), but in *Scenario 2* it receives over 100,000 households and in *Scenario 3* over 140,000 new households.

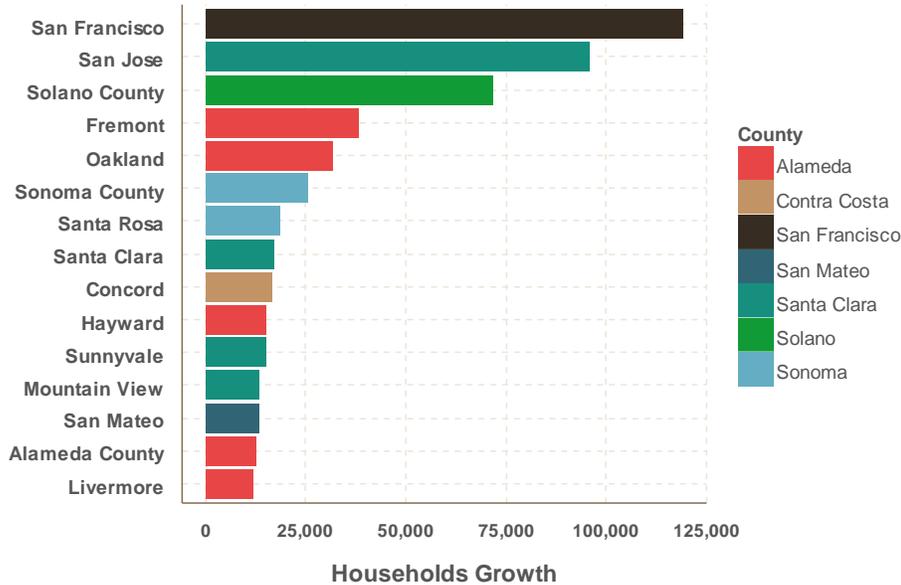
Figure 10: Household Growth, Top 15 places, No Project



Places Receiving the Largest Amounts of Household Growth

The places experiencing the largest amount of household growth varies by scenario, as does the overall proportion of growth concentrated in these jurisdictions. The 15 cities with largest increases in households will add 71 percent of the total household growth in the region in *No Project*, 64 percent in *Scenario 1*, 65 percent in *Scenario 2*, and 82 percent in *Scenario 3*.

Figure 11: Household Growth, Top 15 places, Scenario 1

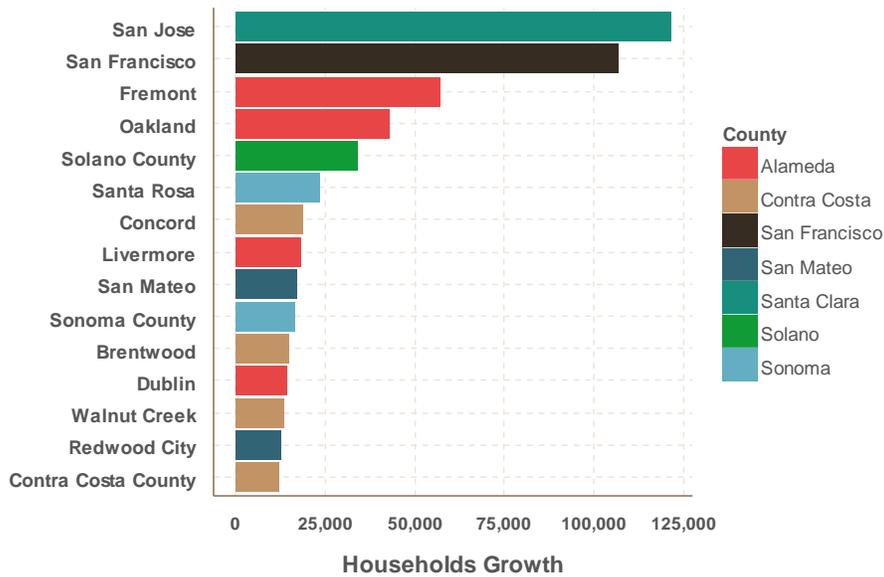


Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

Scenario policies affect which places within the region dominate household growth. While the City of San Francisco is among the top two places for household growth in every scenario, as well as with *No Project*, San Jose’s position ranges from first in *Scenarios 2* and *3* to third in *No Project*. Santa Clara County has only one place (San Jose) in the top 15 in *Scenario 2*, but six in *Scenario 3*. In contrast, only one Contra Costa County place, Concord, is among the 15 largest household gainers in *Scenarios 1* (Figure 11) and *3* (Figure 13), while four Contra Costa County places rank in the top 15 in *Scenario 2* (Figure 12) and *No Project*, including the unincorporated part of Contra Costa County.

The City of Oakland is among the top five places receiving growth in the three scenarios. Oakland is number six in *No Project*. The unincorporated part of Alameda County is the only other Alameda County place among the top 15 in *No Project*, but as growth policies are applied in *Scenarios 1* through *3*, Alameda County places take a stronger role. In *Scenario 2*, for example Fremont is the place ranking third in the region in household growth, with Oakland number four, Livermore number eight, and Dublin ranking number 11. In *Scenario 3*, Alameda County’s highest household growth places switch from the Interstate 580 corridor to the East Bay corridor, with San Leandro (number 11) and Hayward (number 13) replacing Livermore and Dublin.

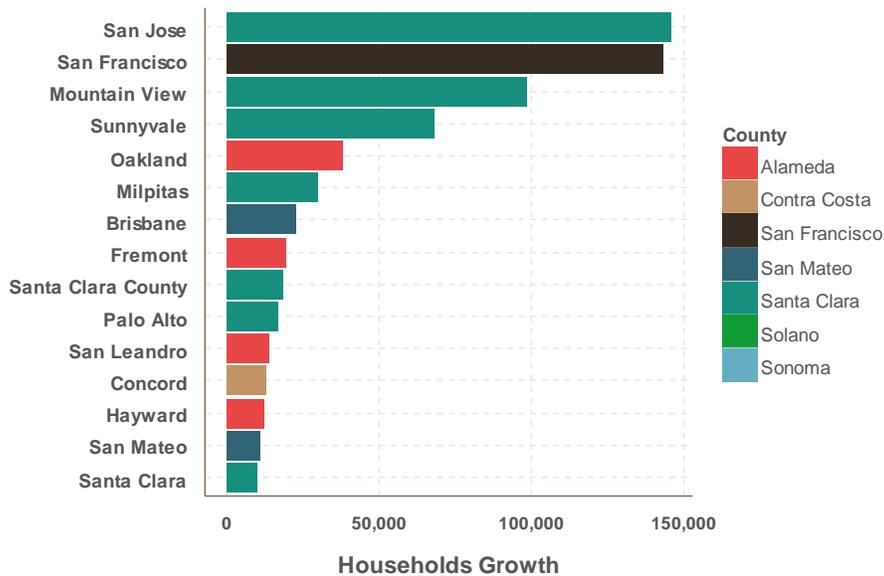
Figure 12: Household Growth, Top 15 places, Scenario 2



Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

The City of San Mateo is among the top fifteen places receiving household growth in every scenario as well as *No Project*, ranging from number 14 in *Scenario 3* to number 9 in *Scenario 2*. The city ranks 13th in *Scenario 1* and *No Project*. Redwood City is the 15th fastest growing city in *No Project* and the 14th fastest in *Scenario 2*, but does not appear among the top 15 in the other two scenarios. Unincorporated San Mateo County is among the top 15 places for household growth in *No Project* but not in any of the scenarios.

Figure 13: Household Growth, Top 15 places, Scenario 3



Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

Not surprisingly, no North Bay places are among the top 15 places for household growth in *Scenario 3*, the most concentrated scenario. However, unincorporated Solano County receives the second largest

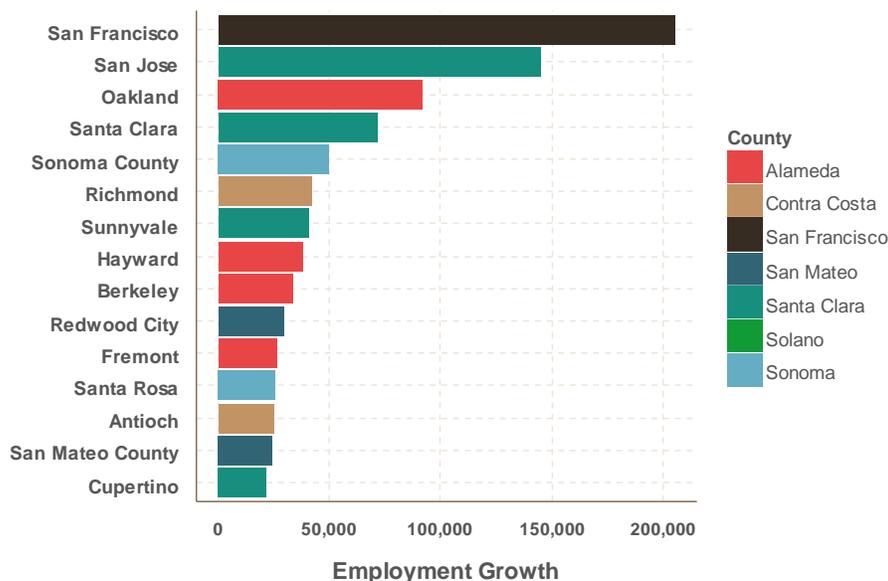
amount of household growth in *No Project*, the third highest amount in *Scenario 1* and the fifth highest amount in *Scenario 2*. Santa Rosa and unincorporated Sonoma County are among the top fifteen places for household growth in *No Project*, and *Scenarios 1* and *2*. Santa Rosa exceeds the numbers of households added in the unincorporated part of the county in *Scenario 2*, but receives fewer households than unincorporated Sonoma County in *No Project* or *Scenario 1*.

Places Receiving the Largest Amounts of Employment Growth

In general, the places that currently have the largest share of regional employment in 2010 will add more jobs between 2010 and 2040. Compared to household growth, there is less variation across the scenarios in the percentage of future job growth that will be in the top 15 cities: 67 percent in *No Project*, 70 percent in *Scenario 1*, and 72 percent in *Scenarios 2* and *3*.

The list of cities receiving the most employment growth varies little among the different distributions described by *No Project* (Figure 14) and the three scenarios (Figures 15, 16 and 17), although the level of growth and the ranking varies among the cities. San Francisco, San Jose, and Oakland are the three cities receiving the largest number of jobs in each of the described geographic distributions. However, San Francisco grows by close to 200,000 jobs in *No Project*, *Scenario 1* and *Scenario 3*, but by almost 250,000 jobs in *Scenario 2*, while San Jose’s job growth is below 150,000 in *No Project*, almost 160,000 in *Scenarios 1* and *2*, and over 180,000 in *Scenario 3*. Oakland adds about 92,000 jobs in *No Project* and *Scenario 1*, but almost 100,000 jobs in *Scenario 3*.

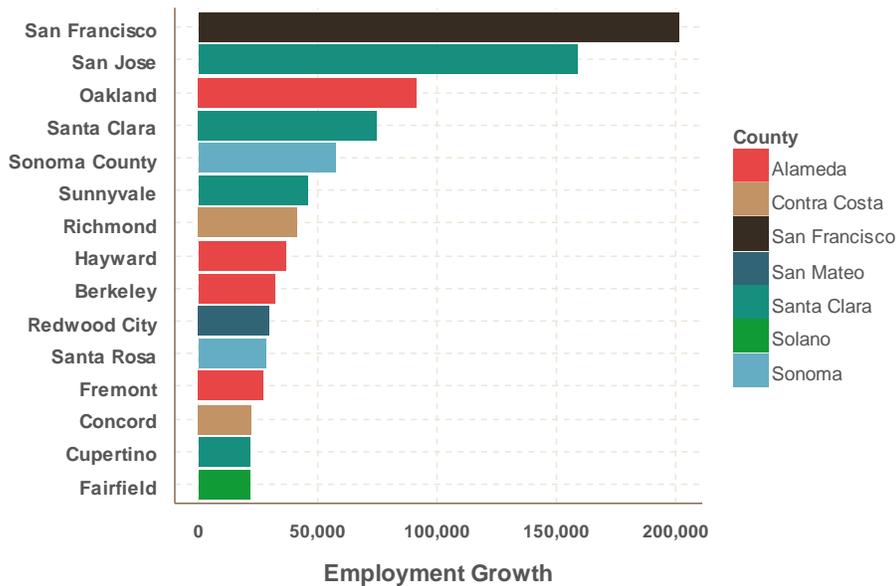
Figure 14: Employment Growth, Top 15 places, No Project



Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

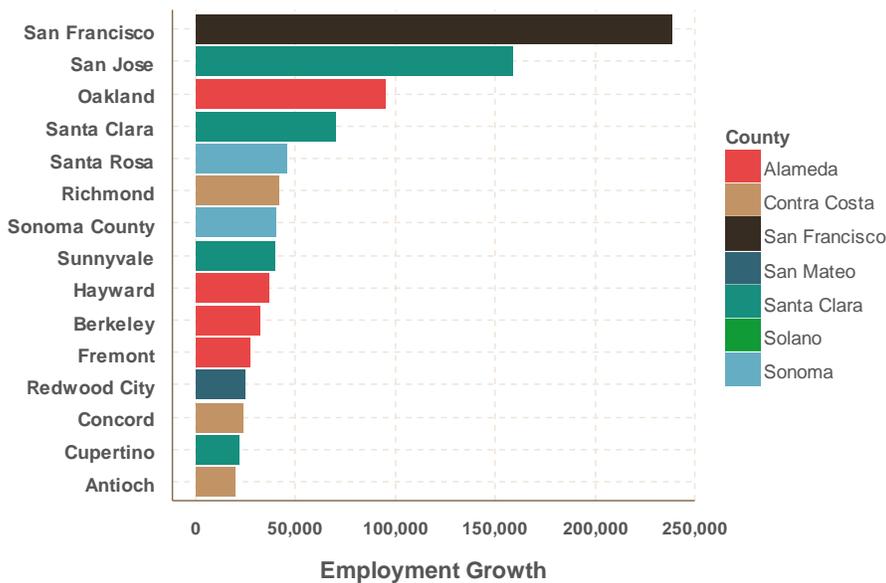
The City of Santa Clara gains the fourth largest number of jobs in *No Project* and in all three scenarios. Other places in the top 15 in all scenarios and *No Project* include unincorporated Sonoma County (number five in *No Project* and *Scenario 1* and nine in *Scenario 3*), Santa Rosa (number 5 in *Scenario 2*), Richmond (ranging from a rank of seven in *Scenario 1* to five in *Scenario 3*), Sunnyvale and Cupertino in Santa Clara County, Berkeley, Fremont and Hayward in Alameda County, and Redwood City in San Mateo County.

Figure 15: Employment Growth, Top 15 places, Scenario 1



Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

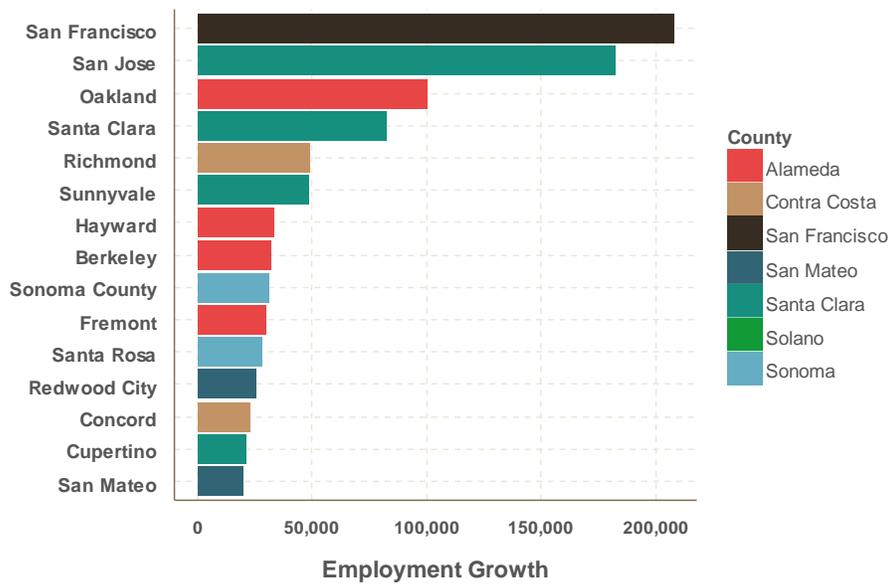
Figure 16: Employment Growth, Top 15 places, Scenario 2



Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

A few other places rank in the top 15 in some but not all of the geographic distributions of employment. Concord is among the top 14 in all three scenarios but not in *No Project*. Antioch is among the top fifteen in *Scenario 2* as well as in *No Project*. San Mateo County receives the 14th largest amount of job growth in *No Project* but does not make the top 15 in any of the three scenarios. Fairfield is among the top 15 in *Scenario 1* only, and is the only Solano County place to be among the top fifteen places for job growth in any of the geographic distributions.

Figure 17: Employment Growth, Top 15 places, Scenario 3



Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

Corridors – East Bay and El Camino Real

Transportation and business corridors have been used as one framework for shaping collaborative planning efforts towards developing PDAs. This section describes the projected growth along the East Bay Corridor and the El Camino Real Corridor. (The two corridors are shown in Figure 1, the map at the beginning of this report).

East Bay Corridor

The East Bay Corridor consists of 48 PDAs in cities stretching from Fremont to Oakland. Household growth projected in the PDAs along this corridor ranges from about 39,000 in *No Project* to almost 116,000 in *Scenario 2*, three times the level of *No Project*. *Scenarios 1* and *3* each lead to growth of just over 70,000 households (See Table 7). In *Scenario 2*, PDAs in the East Bay Corridor account for 76 percent of the corridor’s total household growth, and 15 percent of the growth for the Bay Area.

	2010	2040	Growth	Percentage Growth	Share of Corridor Growth	Share of Regional Growth
No Project	181,038	219,869	38,831	21%	38%	5%
Scenario 1	181,038	253,723	72,685	40%	61%	9%
Scenario 2	181,038	296,750	115,712	64%	76%	15%
Scenario 3	181,038	251,842	70,804	39%	66%	9%

Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

Job growth in the East Bay Corridor PDAs ranges from 130,000 in *No Project* to 145,000 in *Scenario 3*, a much smaller range than in household growth. (See Table 8). *Scenarios 1* and *2* are again fairly close, with 131,000 jobs added in *Scenario 1* and 145,000 jobs in *Scenario 2*. Job growth in East Bay Corridor

PDAs in *Scenario 3* accounts for for 49 percent of the corridor’s total job growth, and 11 percent of Bay Area’s total job growth .

	2010	2040	Growth	Percentage Growth	Share of Corridor Growth	Share of Regional Growth
No Project	314,405	444,762	130,357	41%	46%	10%
Scenario 1	314,405	445,764	131,359	42%	47%	10%
Scenario 2	314,405	449,355	134,950	43%	48%	10%
Scenario 3	314,405	459,547	145,142	46%	49%	11%

Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

Looking at job growth and household growth together for the East Bay Corridor, *No Project* would leave the corridor with a substantial shortage of new households compared to employment growth. The shortfall would be substantially less in *Scenarios 1* and *3*, while *Scenario 2* could produce household growth at a level that there could be a net improvement of the jobs housing balance along the corridor.

El Camino Real Corridor

The El Camino Real Corridor includes 17 PDAs along the West Bay Shore from East Palo Alto and Palo Alto through Brisbane. Projected household growth in PDAs along the corridor ranges from about 15,000 in *No Project* to over 27,000 in *Scenario 2*. In *Scenario 2*, PDAs also have the highest proportion of corridor growth—13 percent, compared to 9 percent in *No Project* and only 5 percent in *Scenario 3*. This corridor has a lower share of household growth for the region compared to the East Bay Corridor. The El Camino Real Corridor share of regional growth ranges from 2 percent in *No Project* and *Scenario 3* to 4 percent in *Scenario 2*. (See Table 9).

	2010	2040	Growth	Percentage Growth	Share of Corridor Growth	Share of Regional Growth
No Project	42830	58,293	15,463	36%	9%	2%
Scenario 1	42830	63,692	20,862	49%	10%	3%
Scenario 2	42830	70,185	27,355	64%	13%	4%
Scenario 3	42830	60,305	17,475	41%	5%	2%

Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

El Camino Real PDAs receive their highest levels and shares of employment growth in *Scenario 3*, and lowest levels and shares in *Scenario 1*. (See Table 10). In *Scenario 3*, PDAs would add 35,000 jobs but only 17,000 households. In *No Project*, the household to jobs short fall would be similar in proportion, adding 15,000 households compared to 30,000 jobs. In contrast, household to jobs proportions would be more balanced in the El Camino Real Corridor PDAs in *Scenarios 1* and *2*.

	2010	2040	Growth	Percentage Growth	Share of Corridor Growth	Share of Regional Growth
No Project	73,530	103,442	29,912	41%	7%	2%
Scenario 1	73,530	101,833	28,303	38%	7%	2%
Scenario 2	73,530	105,335	31,805	43%	8%	2%
Scenario 3	73,530	108,353	34,823	47%	8%	3%

Source: ABAG from MTC Urban Sim runs 1113 to 1116, March 2016

Integrating Equity, Environmental and Resilience Factors into the Scenarios

Equity, protection of environmental quality, and resilience are all important goals of *Plan Bay Area*. Six of the plan’s 13 performance targets address equity considerations, while two targets address the environment, with all targets supporting an overall more resilient region. Rather than creating an “Equity” scenario, an “Environment” scenario and a “Resilience” scenario, the considerations for each of these factors are partially addressed in the land use analysis for the scenarios reported here and are partially addressed through the application of policies at a regional level as appropriate to each scenario.¹³

Equity

Equity considerations are addressed within the land use analysis through the application of local policies to enhance the availability of affordable housing throughout the region and in jurisdictions close to employment opportunities. For example, UrbanSim can represent deed-restricted inclusionary units which are limited to residents in certain income groups. This ensures that affordable housing is one component of new residential developments, while providing replacement affordable housing in the event that naturally affordable units are removed by infill development. In *Scenarios 2 and 3*, the model applies revenues from an indirect source tax (eg. vehicle miles traveled) to fund housing close to job centers. *Scenario 1* does not address the jobs/housing fit as directly as *Scenarios 2 and 3*, but policies applied at the regional level could address the travel cost problems associated with the greater concentration of new housing in suburban areas more distant from employment.

In addition to housing affordability, other equity targets focus on healthy and safe communities, transportation and housing costs, access to jobs, decreasing risk of displacement, and access to middle wage jobs. The performance target analysis will address these factors, which are not as easily represented in the UrbanSim model. Rather than including a partial analysis in the land use component alone, it will be addressed when land use and transportation elements are both completed.

Equity targets were also used to evaluate which transportation projects were selected for regional investment through the Project Performance Assessment where MTC scored each proposed transportation project according to how closely each achieved the policy objectives set in the performance targets. Please refer to the companion piece [NAME—to be added if completed before the May distribution of this memo] written by MTC for more detail.

¹³ See <http://planbayarea.org/the-plan/plan-details/goals-and-targets.html> for more information on *Plan Bay Area* performance targets.

ABAG and MTC are also preparing an additional equity analysis for *Plan Bay Area 2040*. The overall Equity Framework will include a Title VI analysis of *Plan Bay Area* investments that use state or federal funds, an environmental justice analysis of PBA investments to determine any disproportionately high adverse impacts on low-income and minority populations or communities of concern, and an equity analysis of the distribution of benefits and burdens of the alternatives on communities of concern compared to the rest of the region.

Environment

Environmental considerations are addressed within the land use allocation through restrictions on greenfield development, the type of housing, concentration of housing (and in some scenarios employment) in areas accessible to transit, and the air quality impacts of selected projects. The manifestations of this approach vary by scenario. No greenfield development occurs in *Scenarios 2 and 3*, while in *Scenario 1*, the amount of greenfield development, and more generally of rural and suburban development, is substantially less than if the Plan were not adopted, and the concentration of new development in core and urban areas (and in multifamily units) is higher (as shown earlier in Figure 3). *Scenarios 2 and 3* have even greater concentration of growth in denser, more urban areas, improving the potential for use of less polluting public transit alternatives. The transportation analysis will address the use of transit as compared to other types of travel in the three scenarios.

Resilience

Resilience was not directly addressed in the land use analysis for the scenario development, because vulnerability to natural disasters or climate change impacts is widespread throughout the region. Instead, *Plan Bay Area* will include policies to be applied to the preferred scenario to improve resilience in the region.

No single scenario avoids the effects of natural disasters or climate change. Integration of climate adaptation and hazard mitigation planning in areas of new development is necessary in all scenarios to keep Bay Area residents safe, and regional investments secure. Resilience measures taken in areas of new development must be responsive to the unique risks created by the variety of intersecting hazards and communities. The growth patterns proposed in each scenario will change the Bay Area's built environment and land areas, which will require specific strategies to address risks.

For example, in *Scenario 1*, while new single family homes are structurally highly resilient to shaking, the development pattern of single family neighborhoods, especially in more distant suburban areas, makes the neighborhoods more dependent on expansive infrastructure networks, which may require greater redundancy to reliably serve communities. To provide reliable water, energy, and transportation services, single-family communities may consider investing in distributed energy systems, on-site water reuse systems, and redundant transportation networks. These policies could be particularly important in *Scenario 1*, to ensure that residents can still maintain livable conditions if infrastructure is damaged, and reach commercial and employment centers and medical services after an event.

In *Scenarios 2 and 3*, greater concentration of new development in multifamily homes may require improved building standards, to make this type of housing more resilient to a major event. In upgrading building requirements, the focus should expand from life-safety to measures that would improve the chances a building could be occupied after the earthquake shaking stops, or the flood waters recede.

While services are likely to be more accessible because they are closer than in a more dispersed scenario, upgrading of infrastructure is important in these two scenarios to make roadways and transit services more resistant to damage along corridors that follow the fault lines and shorelines.

The plan will draw from conclusions in *Stronger Housing, Safer Communities* (http://resilience.abag.ca.gov/projects/stronger_housing_safer_communities_2015/) which provides strategies to address residential seismic and flooding risks and the resources gathered for creating a local Mitigation and Adaptation Plan (<http://resilience.abag.ca.gov/projects/2016-mitigation-adaptation-plans/>) to strengthen the resilience of communities over the next 25 years by addressing the risks from all natural hazards.

Summary/Concluding Section

The three scenarios described here present alternative land use patterns that can help to meet the state requirements for greenhouse gas reduction as well as the broader performance targets defined for the sustainable community strategy. Companion pieces [a companion piece?] written by MTC address 1) the resulting travel demand and greenhouse gas production of the different scenarios and 2) compare the effects of the different scenarios on performance targets for the plan.

From the land use analysis alone, major conclusions are:

- A regional plan that is based on policies conceived at a regional level through collaborative efforts among jurisdictions but implemented at the local level can significantly change the long term development direction of the region.
- Denser infill development can improve access to public transit resources while preserving the region's open space.
- Affordable housing needs can be addressed in a variety of development patterns, but different types of policies may be necessary to meet broader equity goals, such as lower housing plus transportation costs, greater access to middle wage jobs, or limitations on displacement, in each scenario.
- Integration of resilience with future infrastructure investments improves reliability and prosperity for both existing and future residents.
- The combination of land use and transportation planning is surfacing public health, equity, resilience, and ecosystem co-benefits that are attracting integrated funding and financing platforms for comprehensive planning and development.

[Insert an extra page if needed to allow the appendices to start on an odd page]

ASSOCIATION OF BAY AREA GOVERNMENTS

Representing City and County Governments of the San Francisco Bay Area



Date: May 6, 2016

To: ABAG Executive Board

From: Ezra Rapport
Executive Director

Subject: **ABAG MTC Merger Study Recommendation**

1. Context / Recommendation

ABAG is facing what is probably the most critical juncture in its 55 year history. ABAG has reached a point where a decision must be made with respect to its future, and the future of regional planning and programs in the Bay Area. The integration of ABAG and MTC into a comprehensive regional agency might be a real possibility.

What will be before the Executive Board on May 19th is a decision to select a path forward that has the best chance of being approved by both ABAG and MTC and best serve the public interest. The status quo between the agencies is that MTC will terminate its Planning Grant to ABAG on July 1, 2016, unless an alternative Merger Implementation Plan (MIP) is adopted by both agencies. If both agencies can agree on a path forward with sufficient detail, that agreement would constitute a Merger Implementation Plan (MIP), and that action would trigger a continuation of the MTC Planning Grant to ABAG while the details of the MIP are worked out.

Our recommendation is for the Executive Board to approve two Options: Option 4 and Option 7 of the Management Partners report (see attachments A and B) with important principles for Option 7. These principles are described below under Recommendation.

Option 4 (New Governance Model and Full Staff Merger), in ABAG staff's view, is the best option for the Bay Area. The New Governance model should combine the best of MTC's statutory responsibilities to program and allocate transportation dollars, while also supporting city and county engagement in land use, economic development, environmental planning, and other non-transportation issues facing the region. With this governance model, a powerful regional agency with a broad scope of responsibility can be created utilizing combined administrative resources.

While we see a change in governance as crucial to the long term mission of regional planning, we are convinced that the ABAG and MTC boards cannot address governance in the time frame needed to sustain ABAG. As stated above, MTC's Planning Grant to ABAG expires July 1, 2016, unless MTC and ABAG both adopt an alternative Merger Implementation Plan (MIP). With the assumption that the dialogue for changes in governance will take more time than is available to address the present situation, all options that require an immediate commitment to a

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change in governance are fatally flawed if this change cannot be agreed upon by both ABAG and MTC by July 1, 2016.

In addition to our recommendation of Option 4, staff also recommends the alternative approval of Option 7, if that is the only option that MTC will approve. Option 7 retains the ABAG Board and its institutional policy authority, but proposes to transfer ABAG staff to MTC following development of a contract for services and entering into an MOU to establish a timeframe for considering a new governance structure and setting forth principles, goals and parameters for considering new governance options. In addition, Option 7 calls for an MOU to pursue a new governance model within a reasonable time.

The deficiency of Option 7 is that it splits administrative control away from ABAG governance. While there is an advantage to having unified administration, the successful implementation of Option 7 will require the MTC administration to be sensitive to ABAG staff, programs, and relationships to all levels of government and stakeholders. ABAG's programs are financially self-sufficient for the foreseeable future, but these programs require an administrative control that is very different from the exigencies of MTC administration. There needs to be a strong commitment on the part of MTC administration to both protect ABAG's Council of Governments (COG) role and to fairly evaluate the programs maintained by current ABAG staff.

We understand that MTC administration needs to protect MTC from financial liabilities. At the same time, ABAG programs should be carefully evaluated prior to making any significant changes so that ABAG membership remains supportive of this effort. ABAG's governance and administrative model has taken decades to construct, but may disintegrate rapidly without careful consideration of any changes proposed by MTC administration.

The ABAG staff transfer to MTC should be accompanied by a set of principles to guide Option 7 and proposed principles have been enumerated in Section 9 of this report. The principles should guide the ABAG negotiations between ABAG and MTC for an MOU that defines roles and responsibilities and the contract for services between ABAG and MTC.

ABAG and MTC should also consider engaging in facilitated discussions regarding new governance models during the next two years. ABAG and MTC should analyze a set of options for new governance with the intent of choosing an option that integrates the functional responsibilities of both the Metropolitan Planning Organization (MPO) and the COG, and provides the best possible regional agency for the Bay Area to accomplish comprehensive planning, programming, and implementation of projects that will serve the 21st century.

2. Governance and Staffing

Option 7 does not address all problems. Option 7 cannot be implemented without an extensive work program to transition ABAG employees and ABAG programs to MTC administration. A second major consideration is how to define what is meant by ABAG autonomy, policy oversight, and regional responsibility, which is mentioned in Management Partners' report. The MOU should also set, at a minimum, a reasonable time frame for new governance options to be evaluated by MTC and ABAG.

Given the need to reach consensus among ABAG and MTC, however, we view only Option 7 as feasible, with principles enumerated in this memo and others that may be attached by the

Executive Board. Option 7 needs to be made realistic in both the short term and long term. The two agencies need to choose a single option in order to focus on the necessary details.

3. Regional Planning Opportunity

Despite the challenges, we believe that the potential reorganization of ABAG and MTC into a single agency represents an extraordinary opportunity to create an innovative regional governance function that combines the best of ABAG and MTC. Together, these agencies contain an unparalleled expertise to deliver improved planning, policy, and funding support to the Bay Area. Working as a combined staff, both agencies would be able to provide responsive, locally-tailored services that improve the lives of current and future Bay Area residents, in a variety of economic, social, and environmental contexts.

We do not want to lose sight of this opportunity. A great deal of effort has been expended discussing the issues of regional governance and the required process of collaboration across the Bay Area's diverse communities. While there is much more to be done, the Bay Area deserves the most effective organization for regional planning and implementation of critical programs. The Bay Area is becoming increasingly complex as its economy grows. There are enormous transportation, housing and environmental challenges ahead, including affordable housing, water supply, and sea level rise, and there is an urgent need for an integrated, comprehensive regional planning and implementation institution.

4. Council of Governments Essential Role

Management Partner's Option 7 states that ABAG "retains autonomy and policy oversight over current statutory roles and responsibilities." This direction will require more than verbal assurances that policy making responsibilities will be respected. In order for the ABAG Executive Board to retain autonomy and policy oversight, there must be a strong connection to the staff charged with implementing those statutory roles and responsibilities. The Executive Board should be able to set forth policy prerogatives through the Work Plan and Contract for Services it negotiates with MTC. Staff should be available to listen, interpret, and implement policy direction from the ABAG Executive Board, or its successor.

ABAG's ability to carry out its statutory roles and responsibilities also relies on its relationship to local governments. The connection between ABAG and local governments is structured through the Executive Board and the role of city and county delegates for each jurisdiction. The ABAG delegates represent City Councils, who in turn, are a connection to the City Managers and local government staff, especially land use planners. Through this mechanism, ABAG maintains a solid relationship with local government. This channel of communication and collaboration needs to remain if cities and counties are to consider the new arrangement to be a continuation of the Council of Governments.

The following are essential activities that define a Council of Governments, and we believe they need to be maintained at least until new governance options are implemented:

- A. **Strong Local Partners:** Cities and counties must be essential partners in the emerging regional planning and services structure. Sustained trust and accountability to local governments will be a foundational dimension of this new regional agency and retain membership dues in place.

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- B. **Work Program approved by Executive Board:** The approval of the work program by the Executive Board, prioritizes regional challenges and strategies, and provides direct guidance on land use, housing, economic development, and environmental policies and strategies. The Executive Board will need to provide direction on major regional strategies such as Priority Development Areas, resilience strategies or Regional Housing Needs Allocation.
- C. **Involvement of Regional Planning Committee or similar body:** The ABAG's Regional Planning Committee, or similar committee that includes elected officials and major stakeholders, should continue to advise staff on major planning projects such as the designation of an Economic Development District, coordination of water conservation strategies or the creation of a Regional Housing Trust Fund.
- D. **Planning Staff:** An integrated planning function will need to continue to engage with local jurisdictions. ABAG staff takes input on housing, economic development and infrastructure needs and provides support on land use analysis, policy analysis, best practices and public engagement. Public workshops and communication through social media are essential components of any regional planning process to secure transparency and broader public input.
- E. **Public Engagement:** Meaningful and transparent public engagement processes should continue to be used to develop strategies to support housing production and affordability, regional sustainability, economic prosperity, resilience and climate adaptation among others that are supported by a strong network of stakeholders.
- F. **Stakeholder involvement:** The on-going roles that environmental, business community and equity stakeholders play are extremely important and need to continue.
 - a. Environmental stakeholders will maintain an important role in the preservation of open space, access to parks, and healthy places.
 - b. The business community will promote ongoing and new economic development strategies and strengthen collaboration across sub regions.
 - c. Equity stakeholders broaden the agencies' participation to ensure disadvantaged communities have a voice in regional strategies and investment decisions.
- G. **Current Programs:** ABAG's programs of financial services, energy savings, insurance pools, and the healthy restoration of the bay and estuary should be carefully evaluated. ABAG believes these are core services to local jurisdictions and the communities in the Bay Area, and a major reason local jurisdictions pay dues to ABAG.

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5. Solid ABAG Financial Performance

Staff would like to impress upon MTC and our stakeholders the strength of ABAG's finances and operations to date. This information will be helpful to those looking to understand how ABAG's finances are structured and how to maintain financial performance through a solid merger implementation plan.

- A. ABAG has consistently operated with a balanced budget, and has not experienced an operating deficit within the last five years (our analysis only looked back five years).
- B. ABAG executes a sustainable business model.
 - 1) Member dues pay for agency management, member services and strategic organizational planning.
 - 2) All grant funded projects are programmed to be operated within the funding provided. Expenditures are closely monitored to ensure the ability to restructure the project budget to avoid a deficit. When grants terminate, grant funded positions are reduced.
 - 3) ABAG administration and finance provide management, administrative and other support services to ABAG, our entities, and related parties. Both direct and indirect fees are charged to fully recover the administrative cost.
- C. All ABAG entities operate with balanced budgets and both the Financial Authority for Non-Profit Corporations (FAN) and Pooled Liability Assurance Network (PLAN) have very healthy reserve funds ranging from \$3-20 million. POWER distributes all surpluses (deficits) to its members.
- D. ABAG contributes a successful and reputable business model that is not duplicative of the services MTC currently provides. ABAG's programs are a strategic fit within the larger ABAG mission and its services are relied upon by critical stakeholders both regionally and locally.
 - 1) ABAG successfully represents 109 cities and counties as demonstrated by 100% member dues collection.
 - 2) ABAG has a positive reputation in the Federal, State and Regional Community for our extensive research, planning, land use, housing, equity, environmental, resilience, and economic issues as demonstrated in the growth of our budget in the last year from \$26 to \$58 million.¹

¹ For example, ABAG administers the Bay Area Regional Energy Network (BayRen) program which is funded by a grant from the CA Public Utilities Commission and the Integrated Regional Water Management Program (IRWMP) funding through the California Department of Water Resources and managed by ABAG's San Francisco Estuary Partnership (SFEP). BayRen is the exclusive implementer of the Energy Upgrade California Home Upgrade Program designed to reduce energy use in existing homes by providing incentives to homeowners who make energy-efficient improvements. SFEP helped secure an additional \$41 million in state grant funds and now manages for our partners a total of \$93 million for these multi-benefit water quality and drought response projects. In FY2016-17 alone, BayRen will be responsible for administering \$12.8 in state grants out of ABAG's total state funding of \$42.7 million. In FY2016-17 alone SFEP will be responsible for administering \$24.5 million in local, state, and federal funding for projects throughout the Bay Area. These are great examples of the magnitude and impact created through our local, state, and federal grant funds.

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- E. ABAG's costs, unfunded pension liabilities and OPEB costs are all included in our employee direct cost rate and our indirect cost rate (see Attachment A). While our SFEP programs/grants are not charged for indirect cost since they are located with the Regional Water Quality Control Board in the State Building, ABAG amortizes the pension and OPEB liabilities through their direct charges to the grantors.
- F. The ABAG condominium unit and tenant improvements should be considered as part of the value ABAG brings to the merger.

6. Process Towards Full Integration

It will be essential that there is a strong commitment on a governance reconfiguration so that the relationship between regional governance and city and county participation is clear and decisive. Addressing regional governance is not only about SB 375. The Bay Area faces numerous environmental, economic, social and public health issues in the 21st century.

A new governance model does not have to disturb the MTC composition and balance of power, which is set forth in statute. ABAG staff supports the existing MTC Commission maintaining control over the funding of transportation networks and projects. However, the issues outside of transportation programming and allocations, such as Plan Bay Area, should have representation that reflects the larger number of cities that need to respond to future Bay Area issues. For example, this greater representation could be accomplished through a newly configured *limited authority* governing board, who would work with the administrative structure and the ABAG and MTC policy boards to decide, for example, the scope of the Regional Plan, issue the State of the Region report, perform an evaluation as to how well the regional agency was accomplishing its mission, and ensure that the planning budget was reasonably allocated to the tasks at hand.

ABAG's Board, staff and member jurisdictions are looking for assurances that options to address a new governance structure will be carried out in an orderly and thoughtful manner. It is essential, in our opinion, to establish a date certain by when governance options will be presented to the MTC Commission and ABAG Executive Board. The MOU should set forth a specific schedule that addresses this objective.

7. Pre-Merger Implementation Activities

While ABAG believes that staff merger ahead of the new governance model is an overly complicated and risky solution, we acknowledge that Option 7 is feasible, but requires substantial work prior to implementation if this option is selected. The merger of ABAG staff into the MTC should be handled expertly with outside consulting support assisting both agencies. ABAG currently retains a mission driven staff. They will need assurances that they will be able to accomplish ABAG's regional planning goals under the MTC administrative organization.

Prior to any staff merger, significant due diligence on the part of MTC regarding ABAG's assets and liabilities needs to be undertaken so the MTC staff can make further recommendations to the Commission. Likewise, ABAG should be expected to identify concrete actions that will allow for a transition of ABAG staff to MTC administrative control, while maintaining business continuity of the enterprise groups, continued grant activity for the San Francisco Estuary Partnership, the Resilience, and Energy programs, as well as necessary assurances for the continuity of ABAG's policy function as a Council of Governments. ABAG members must have

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faith in these assurances for local governments to continue paying dues to support ABAG as a continuing Council of Governments.

Management Partners is preparing a draft implementation action plan that sets forth steps that comprise a new Merger Implementation (MIP) for ABAG and MTC. The schedule results in a negotiated MOU and Contract for Services. At the conclusion of the negotiated documents, both ABAG and MTC will have to approve the contract for service and MOU prior to full implementation.

The technical challenges and strategies to facilitate a staff merger should be discussed in another memo, and these details should be addressed by a team of consultants, including organizational development consultants and consultants with human resource technical expertise. This should include thoughtful engagement with staff and employee representatives.

8. Recommendation to Executive Board

Our recommendation to the Executive Board is to first approve Option 4 (Full Merger) and then Option 7 (Staff Merger with Governance Model later) of the Management Partners report with important attached principles. In addition to our recommendation of Option 4, staff recommends the alternative approval of Option 7 if that is the only option that MTC will approve. Option 7 retains the ABAG Board and its institutional policy authority, but transfers the ABAG staff administration to MTC. It also calls for a new governance model to be considered within a reasonable time. Important principles (see below) attached to the approval of Option 7 will make the difference in achieving the most important goals ABAG staff identified in its merger analysis, namely, (1) the continued participation of cities and counties as the dominant political structure underlying comprehensive regional planning, (2) the financial security of the ABAG institution and its past and present employees, and (3) a reconfiguration of regional governance to ensure broader city and county and stakeholder participation.

9. Principles and Language for the Resolution Supporting Option 7

Staff recommends that if the Executive Board is going to support both Option 4 and Option 7, then principles applicable to Option 7 need to be appended to the resolution, as follows:

- A. The Council of Governments (COG) provides local jurisdictions with the staff support, resources and partnerships necessary for them to have significant input in developing and implementing regional plans such as Plan Bay Area. The COG operates with the clear understanding that all land use authority in California resides with cities and counties. Support for Option 7 is conditioned on the continuation of local engagement and participation in regional planning in the following manner:
 - 1) Cities and counties are essential partners in regional planning.
 - 2) Regional planning incorporates a meaningful and transparent public engagement process.
 - 3) Regional land use planning is responsive to local land use planning to build high quality neighborhoods.
 - 4) In addition to transit and transportation planning, regional land use planning integrates other relevant planning fields, such as water, agriculture and open

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space, resilience, energy efficiency, climate change adaptation and mitigation, air quality, sea level rise, economic development, and social equity.

- B. The COG should have a voice in developing land use incentives designed to promote the construction of and acquisition/rehabilitation of housing units scaled to support the Bay Area economy.
- C. When integrating the ABAG Planning and Research Department, special attention should be made to retain its collaborative and holistic culture.
- D. In concert with any organizational changes, ABAG and MTC staff should engage in a deliberate process for integrating missions that address: 1) the function, management, mission, and vision of ABAG departments; 2) internal and external relationship maintenance; 3) decision-making structures; and 4) conflict resolution.
- E. ABAG and MTC should designate a Staff Merger committee of Board and Commission members that will provide guidance with respect to merger activities and changes. This committee should be informed by an organizational consultant familiar with the overlapping areas of ABAG and MTC administration. We do not believe important decisions need to be made immediately, and it would be helpful for a committee of elected officials to be in place for any discussion of issues among the staff.
- F. MTC administration should endeavor to understand and preserve ABAG's existing programs. Should MTC administration desire to make substantive changes, they must first consult with the ABAG Executive Board.
- G. The staff merger should include the transition of all ABAG staff. Savings and consolidation should take place through existing vacant positions, expected attrition opportunities in further reorganization, and through an organizational development plan approved by both ABAG and MTC.
- H. The ABAG Executive Board will need a management level staff person to act as a liaison to the new administration. The ABAG Board and the Executive Director of MTC should engage in a mutual process for the selection and retention of this liaison. The mechanism to accomplish this should be worked out as part of the MIP. This position will ensure that the ABAG Executive Board has an appropriate connection to staff so it can perform its policy oversight with autonomy.

10. Action Requested of the Executive Board

The resolution the ABAG Executive Board would be asked to approve to start us down a path toward Option 4 or Option 7 would express general support for the chosen Option and direct staff to:

- A. Conduct a financial and legal analysis to determine the impact on both ABAG and MTC of a staff consolidation.
- B. Enter into negotiations and establish a deadline for:
 - A. A multi-year Contract for Services that would consolidate ABAG and MTC staff under one executive director and provide staffing for all statutory duties, responsibilities and programs of the region's COG.
 - B. An MOU to pursue new governance options within a specified time period.
- C. Enter into a letter agreement whereby MTC continues to provide funding support to ABAG for regional planning services pending the development and execution of the Contract for Services and the MOU on new governance options described above.

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Staff will provide the Executive Board, ABAG member jurisdictions and ABAG delegates with monthly updates on staff's progress toward completing the due diligence work and drafting the Contract for Services, MOU and Letter Agreement.

As each of these steps is completed, it will be brought before a publicly noticed meeting of the ABAG Executive Board for discussion and approval.

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Attachment A:

Unfunded Pension Liabilities and OPEB

ABAG's \$12 million unfunded pension liability is not unique to ABAG and not an indication of poor fiscal management. The unfunded pension liability arose from CalPERS' failure to recommend adequate funding contributions for several years. As a result, ABAG is in concert with most PERS plans in having unfunded liabilities that are being amortized over periods of six to 20 years. The ABAG unfunded liability is 34.1% of the plan's total accrued liability, which compares to MTC's 23.4% unfunded liability, as a percentage total accrued liability.

Until fiscal year (FY) 2015-16, the amortization of the unfunded pension liability was computed as a percentage of estimated payroll, and the dollar amount would rise or fall proportionately with increases and decreases in payroll costs. Beginning in FY 2015-16, amortization is set at a dollar amount, which for FY 2015-16 is \$1,085,876. This payment is billed to ABAG monthly as a fixed amount of \$90,490. ABAG's pension amortization is scheduled to rise approximately \$700,000 over the next six years, which will cause ABAG to re-evaluate its charges to grantors and enterprises.

ABAG has an Actuarial Accrued Liability for its Retiree Healthcare Plan of \$4.7 million, which is being amortized as part of ABAG's annual payroll expense of \$7 million at approximately \$700,000 a year. This level is sufficient to fund current expenses and to provide reserves for future claims. It is projected that the plan will be fully funded by 2022. As with many of these plans, the escalation of medical cost made ABAG's plan a financial burden and new enrollment to the original plan was terminated in FY2009-10. We anticipate a decrease in ARC with our upcoming actuarial evaluation due to a smaller employee pool than previously reported.

ABAG's unrestricted fund balance shows a \$8 million deficit. While it is technically true that ABAG's Balance Sheet reflects a deficit fund balance, the financial health of ABAG has not changed, and if ABAG is allowed to continue to operate at its current level, the liability will be eliminated over time.

Metropolitan Transportation Commission and the Association of Bay Area Governments Merger Study Options Analysis and Recommendation Report

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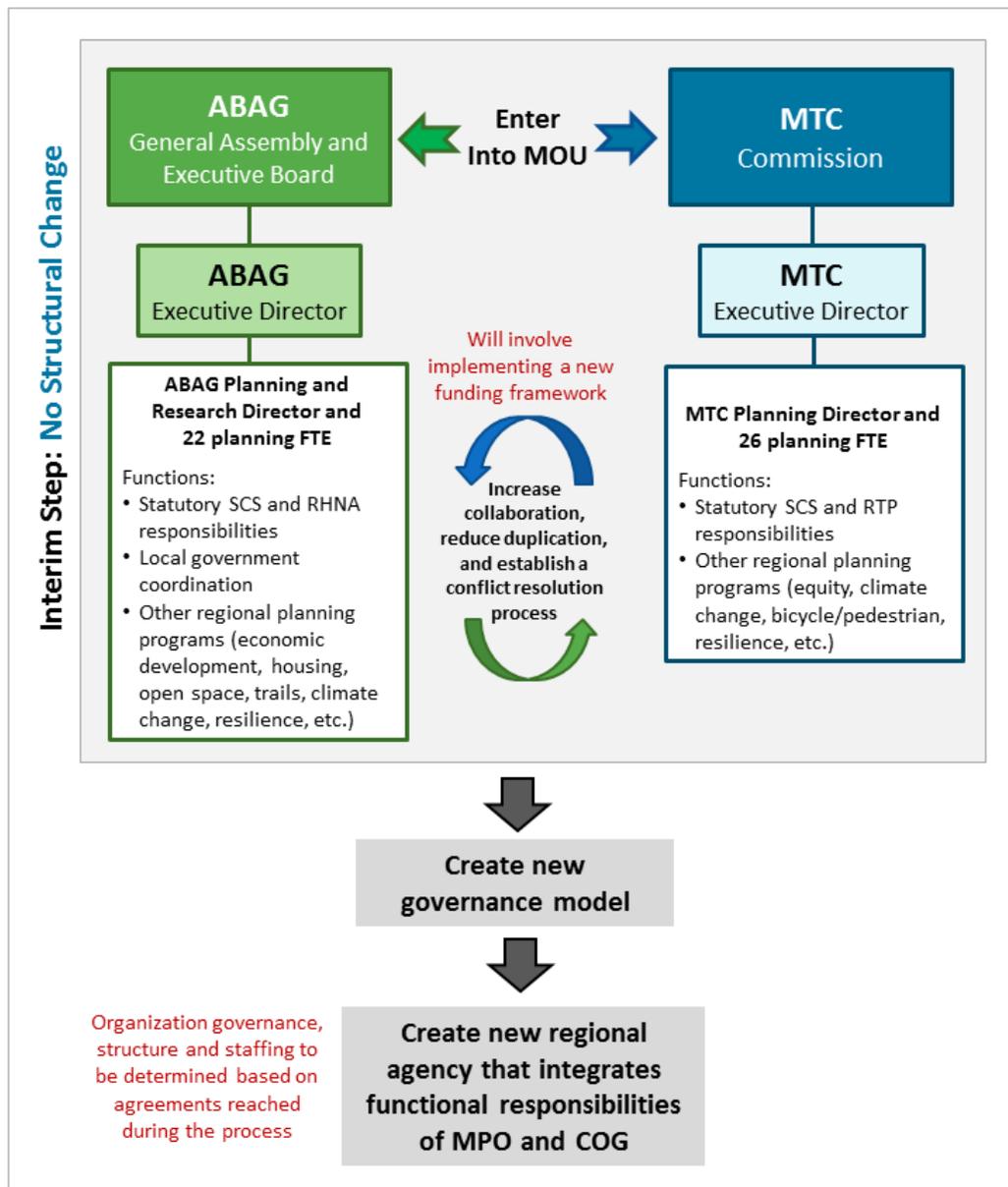


Option 4 – Create a New Regional Agency and Governance Model

Description

Enter into a memorandum of understanding (MOU) between MTC and ABAG to create a new governance model that integrates the MPO (MTC) and the COG (ABAG). The MOU would set forth the principles, parameters and basic terms to guide the creation of a new regional agency and governance model for the region. Until a new agency is created and integration achieved, MTC and ABAG would remain as separate, independent agencies, including their respective mission, governance structures, legal and statutory duties, responsibilities and authorities. ABAG would statutorily continue to be responsible for those activities set forth in SB 375 regarding preparation of the SCS. Figure 9 on the following page provides a graphic depiction of this option.

Figure 9. Graphic Depiction of Option 4



Note: For clarity, the graphic only depicts a brief summary of planning unit functions (not the full range of ABAG's and MTC's responsibilities).

General Impacts

Legal

Entering into an MOU would result in a formal agreement between ABAG and MTC to create a new regional agency and governance structure and set forth the guiding principles, parameters and basic terms to guide its establishment. Following a determination about the governance structure, duties and responsibilities of a new regional agency, as well as a financial assessment

and proposed staffing plan, state legislation would be required to transfer the current statutory duties and responsibilities of MTC and ABAG to the new agency. Both ABAG and MTC have ancillary JPAs staffed by their respective agency personnel, which would have to enter into new contracts with a new agency for the same purpose if they wish to remain affiliated with the successor agency.

Other authorities such as the Bay Area Toll Authority (BATA) have significant authorities, duties and responsibilities as well as fiduciary obligations that would have to be examined carefully to ensure the process would not impact operational commitments during the next several years. Financing authorities as well as bond documents would also have to be reviewed to determine whether there are any significant obstacles to a successor agency.

Financial

If MTC and ABAG choose an option that involves creating a new agency, a more in-depth financial assessment will be required. Such an assessment would need to include a detailed analysis of each agency's existing financial liabilities and their future impact on the finances of a newly created agency. The high-level assessment (base assumptions) in this report is based on our experience with other mergers. Under a new regional agency, it is assumed there would be a net reduction of one executive director position in addition to one less planning director at a minimum.

Given the overall merger of staff, we believe it is reasonable to expect at least a 10% overall reduction in remaining overhead costs, which is likely conservative. Efficiencies and economies of scale typically result in greater cost savings. The overall impact for both agencies is therefore projected at a \$2.6 million in net annual savings, as indicated in Table 7. There would be one-time recruiting costs of \$80,000 for the new executive director and planning director positions, and one-time implementation costs (legal and consulting) of at least \$500,000. This option assumes that Resolution 4210 is replaced by adequate funding to avoid adverse fiscal impacts on ABAG during the period of negotiation and implementation of the new organization.

Table 7. *Estimated Financial Impact of Option 4*

	Assumes 50% Split in New Costs		
	MTC	ABAG	Joint
Existing Executive Directors	(\$456,000)	(\$363,000)	(\$819,000)
New Executive Director	237,500	237,500	475,000
Existing Planning Directors	(311,000)	(298,000)	(609,000)
New Planning Director	165,000	165,000	330,000
10% Reduction in Overhead Costs	(1,652,271)	(302,632)	(1,954,903)
Net Cost (Savings)	(\$2,016,771)	(\$561,132)	(\$2,577,903)

Management

Until such time as a new regional agency is created, the current management, performance and accountability issues associated with preparation of the SCS and PBA would likely continue until and unless shared agreements reset how the agencies currently work together on regional planning programs and services.

A new regional agency would result in a completely consolidated regional planning organization (along with other programs, operations and services) under a single management and leadership structure. This would result in clear and consistent direction to staff and transparency to the governing body or bodies and the public about who is responsible for implementing the region's vision. It would also present significant opportunity for the agency's management and leadership to integrate both agencies into a cohesive, efficient and well-functioning organization with a shared mission, vision and values.

Existing Employees

Representation Status – In a new agency, the first determination to be made would be whether to offer positions to existing employees in the two agencies or to fill positions through an open recruitment process. This decision would be made as part of the process to establish the new agency and would be done under collective bargaining rules and in consultation with existing employee groups. A bargaining unit in the new agency would be unrepresented until such time as a majority of all employees in the unit elected to be represented by one or more unions. For the bargaining unit to become represented, employees would first need to present evidence of the desire to be represented through a card check process or by signing petitions. Typically administered by the state, such an election would result in all of the employees in the agency being represented by a union if 50% plus one of the employees in the unit voted affirmatively for such an affiliation.

Compensation – Compensation levels would be established as part of a meet and confer process under state law with the employees of the new agency. If they were set at the current MTC level, former ABAG staff may see an increase in compensation depending on the position.

Benefits – Benefits would be established as part of a meet and confer process under state law with employees of the new agency. They could be set to mirror the current MTC benefits, the current ABAG benefits, or a different set of benefits.

Retirement Plan

- The retirement plan would be established as part of a meet and confer process within the options available through CalPERS. Both agencies currently have a 2.5% @ 55 plan for "Classic" employees and the required 2% @ 62 plan for new plan employees. The current MTC retirement plan includes a survivor benefit while the ABAG plan does not. The current MTC plan includes a 3% annual COLA while the ABAG plan includes a 2% COLA. Either of these options could be selected by the new agency. The current rate paid by MTC includes these options and, if both were selected, the contribution rate

would likely be set at the current MTC rate (although this would need to be confirmed with CalPERS for a new agency).

- The employee contribution for Classic employees would be established as part of a meet and confer process under state law. New plan employees are required to pay the full employee contribution rate set by PERS. Currently, ABAG employees pay a 1% retirement contribution with this amount increasing to 2% and 3% over the next two years. Classic MTC employees pay a 5.73% retirement contribution, increasing to 8% over the next several years (depending on employer share increases each year). ABAG's new plan members pay the full 6.25% contribution rate and MTC's new plan employees pay the full 6.5% contribution rate. The difference in contribution rate is due to the inclusion of a survivor benefit and a higher COLA in the MTC plan.
- Retiree health benefits would be established as part of the collective bargaining process between the employees and the new agency. They could be set to mirror the current MTC benefits, the current ABAG benefits, or a combination of the two. Employees that have already retired would see no change to their retiree health benefits if the new agency were able to assume the ongoing cost.
- A decision to include or exclude employees from Social Security would be made as part of the meet and confer process under state law. Currently, ABAG employees are covered under Social Security while MTC employees are not. ABAG employees have a payroll deduction for Social Security contributions while MTC employees do not.

Policy

A new agency and governance model presents an opportunity to integrate the two agencies responsible for regional land use and transportation planning and associated services and programs into a transparent and more accountable policy structure. It would also provide an opportunity to establish a clear vision for the region. Duplicate committees addressing similar issues could be eliminated, which would also mean a much more efficient use of elected officials' time.

Alternative governance models provide a range of options to meet the interests of the region's local governments and stakeholders, including multiple governance structures responsible for different missions of the new agency, e.g., the MPO or transportation, the COG, and administration (executive board) within an overarching policy body. Voting structures among the governing bodies can be weighted in accordance with various factors, including population, or by certain categories.

A. Operational Effectiveness and Accountability

Creation of a new regional agency should provide for clear staff roles and responsibilities for Plan Bay Area. However, it will take a minimum of a year (likely more) to establish and additional time to implement this option, and therefore it will have little impact on the PBA 2017 process which is likely to be nearing conclusion or be completed by the time a new agency can be operational. For this option, we assume a new funding framework would be

implemented and the respective roles for ABAG and MTC in regard to PBA would continue until a new agency is created. As discussed under Option 1, while some modest incremental improvements could be made for the current PBA 2017 process in comparison with the PBA 2013 process through improved coordination and a dispute resolution process, many of the same issues of operational effectiveness and accountability are likely to remain until a new agency is created.

This option would result in the integration of land use and transportation planning, programs and services under one unified agency. A new, integrated and unified agency under one management and leadership structure would clarify and streamline staff roles and responsibilities and improve accountability. A single integrated agency should also provide increased career opportunities for staff within a larger agency.

B. Transparency in Policy Decision Making

In the near term this option is unlikely to address concerns with the roles and responsibilities for PBA 2017. The fundamental problems associated with having two agencies with overlapping responsibilities for the same plan will not be resolved until a new agency is created. Once a new agency is created, there should be significant improvements in streamlining the process, both for staff and for elected officials. A new committee structure would likely be created, allowing for less overlap in responsibility and fewer overall meetings. The PBA process would go through one agency rather than two, allowing for stakeholders to better follow and engage in the process.

Whether PBA will be seen as the product of “representative decision making” will largely depend on the structure of the governing body or bodies. In any regional agency smaller jurisdictions want their interests and unique circumstances to be respected and their concerns understood. The interests of the more populous cities and counties are that programs and funding serve locations with the majority of the population of the region. These two interests must be addressed and balanced in any new governance structure.

A single agency serving the region will be able to tackle some of the issues facing the region in a more holistic and comprehensive manner, including new issues as they arise. The administrative and other savings that can be expected by combining two agencies into a single agency could be used to support new policy initiatives.

C. Core Service Delivery and Financial Sustainability

Option 4 assumes the continuation of the 2014 Funding Framework until a new agency is created. We estimate that a new agency would lead to annual savings of \$2.6 million after an estimated one-time cost of at least \$500,000 to create it.

Both organizations are much more than planning agencies, and provide a range of services in addition to their role in preparing and implementing PBA. ABAG’s programs include the Estuary Project, its insurance pool, and assisting local governments with resilience and emergency planning. These services are valued by its member agencies. In addition to its role in

managing and distributing transportation funds, MTC (including its associated agencies such as the Bay Area Toll Authority) has significant programmatic responsibilities, including the 511 system, oversight of bridge operations and maintenance, and the Clipper Card system.

MTC is somewhat unusual among MPOs we examined in the amount of local and state funding it manages in addition to federal funds, and the degree to which it has operational responsibilities; however, it is not unique. The San Diego Association of Governments (SANDAG) has operational and capital improvement responsibilities and approximately as large an overall budget as MTC. Large local governments in the Bay Area also manage comparable budgets and operations, and provide an even larger range of operations and programs than MTC, including significant land use, capital improvement, planning and policy responsibilities.

While unifying two agencies into a single agency will present challenges, we have not identified any overt operational obstacles (pending legal review) to that unification. Existing MTC operations and programs should transition to a successor agency relatively seamlessly (pending legal review) with little operational impact. With a comparatively secure financial foundation and significant savings from agency unification, the new agency should be able to maintain and expand core service programs, and provide adequate administrative support for programs and services.

A new agency provides an opportunity for a more integrated, consistent and comprehensive approach to all regional programs and services, including implementation of PBA. Assuming a continuation of current grants, service programs and dues revenue, with less duplication and more cost-effective agency administration, the new agency would have additional resources to broaden its mission. This would allow it to become a partner with local governments in several areas in addition to implementing PBA, including assisting local governments and stakeholders in addressing other issues of significant regional concern, such as housing policies and resilience.

D. Implementation Viability

Creating a new regional agency will require legislation at the state level. It will also require approval from the MTC and ABAG governing bodies as well as associated JPAs and other authorities. The complexity of this process has not been examined in depth, but we believe it to be one that will take some time.

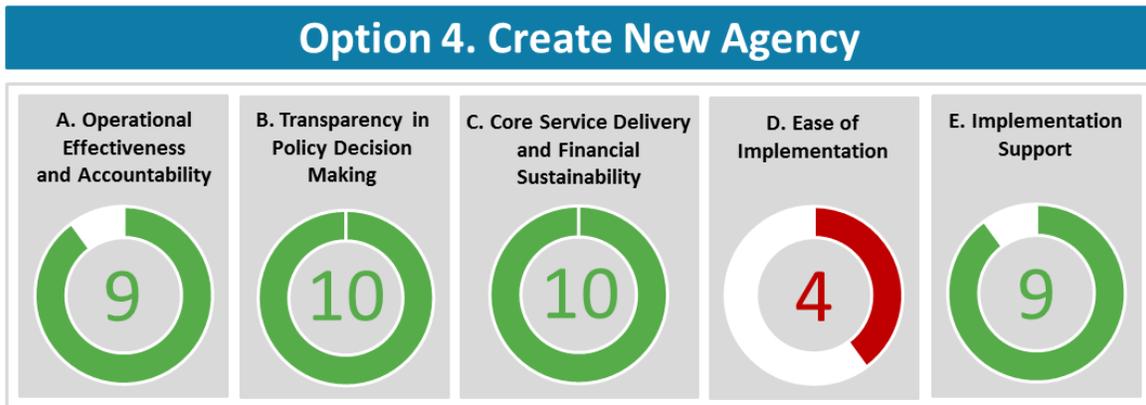
The major challenge in implementing this option will be reaching agreement among the many interests and stakeholders on a new governance structure that strikes the appropriate balance between their various interests. A new agency also provides a different opportunity for employee representation in the collective bargaining process to be determined.

Once created, a single larger, organization with secure and stable financial resources is more likely to be able to recruit and retain qualified staff. With a strong financial foundation, the new agency should be able to maintain benefits for current and future retirees, although this has not been assessed. This option would implement the strong stakeholder interest in having a unified

planning agency. The option's ability to foster support from local governments will depend in large measure on the governance structure ultimately agreed on for the new agency.

Based on the above criteria analysis, Figure 10 presents the overall numeric assessment for Option 4 across five major areas.

Figure 10. Criteria Assessment Overview for Option 4



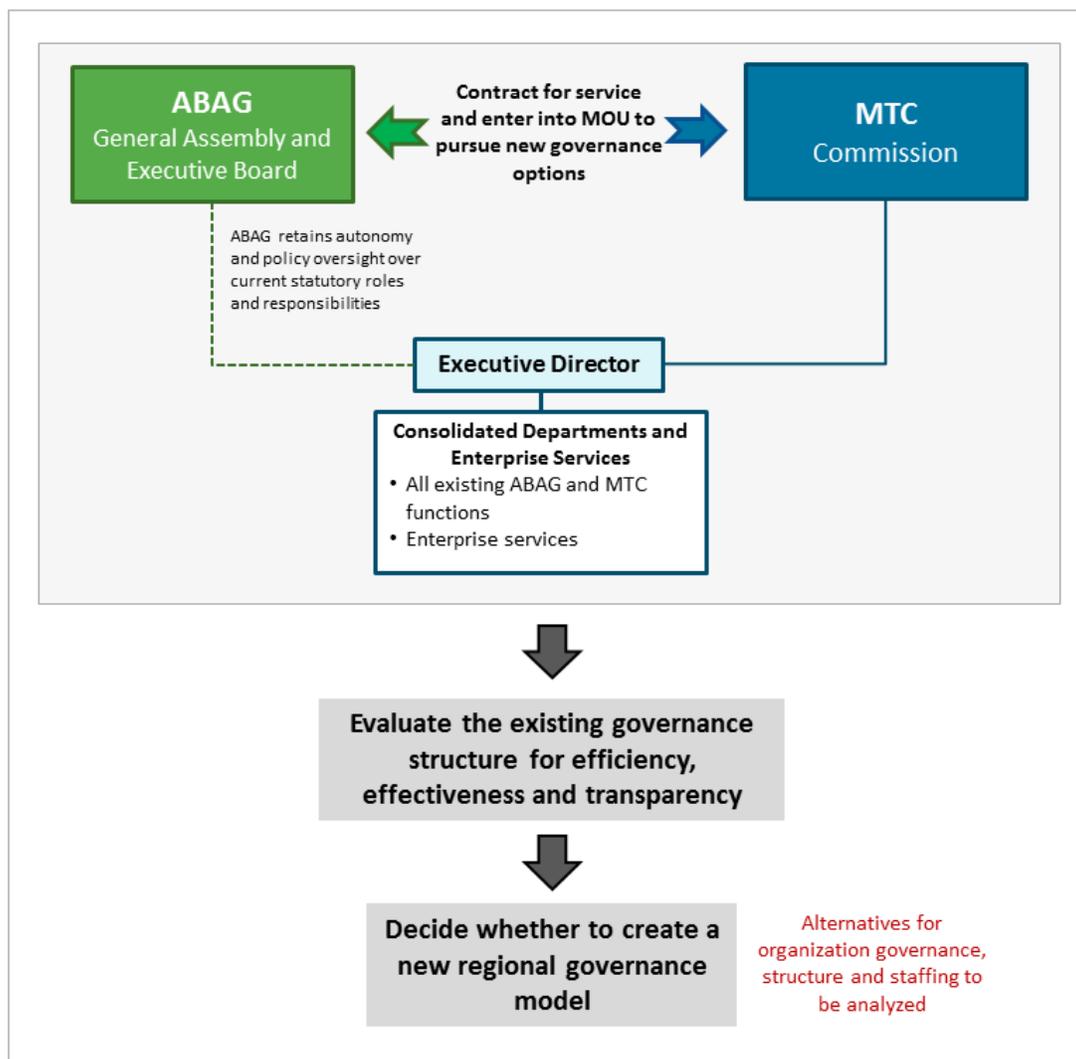
Option 7 – Enter into a Contract between ABAG and MTC to Consolidate Staff Functions under One Executive Director and Enter into an MOU to Pursue New Governance Options (Full Functional Consolidation)

Description

Enter into a contract between ABAG and MTC to provide staffing for all ABAG statutory duties and responsibilities, a work program, functions agreed to be transitioned, as well as the role of the executive director with respect to the ABAG policy body. Enter into a memorandum of understanding (MOU) between MTC and ABAG to establish a timeframe for considering a new governance structure and to set forth principles, goals and parameters for pursuing new governance options. The ABAG JPA and MTC governance structures, as well as their statutory roles and responsibilities, would remain unchanged.

Within a timeframe agreed upon, evaluate the existing governance structure for efficiency, effectiveness and transparency and decide whether to create a new regional governance model. The ABAG and MTC governance structures and consolidated agency would remain in place as well as their statutory authorities, duties and responsibilities until and unless a new regional agency and/or governance structure is agreed upon and implemented. Figure 15 on the following page provides a graphic depiction of this option.

Figure 15. Graphic Depiction of Option 7



Note: For clarity, the graphic only depicts a brief summary of planning unit functions (not the full range of ABAG's and MTC's responsibilities).

General Impacts

Legal

MTC would become the legal counsel for the ABAG JPA as well as its enterprise functions and other JPAs to the extent the latter authorities agree to the transition. ABAG staff provides support to four JPAs, which would have to enter into new contracts with MTC for the same purpose. ABAG financing authorities as well as bond documents would also have to be reviewed to determine actions which might have to be taken to respond to any obstacles or liabilities if MTC assumes oversight in these areas.

Should a new governance model be agreed on, legislative action by ABAG and MTC as well as state legislation would likely be required to transition to a new model.

Financial

If this option is pursued, a more in-depth financial assessment will be required. Such an assessment would need to include a detailed analysis of each agency's existing financial liabilities and their future impact on the finances of MTC, or if pursued, a newly created agency. The outcome of this option in terms of organizational savings is the same as Options 4 and 6: there would be a net reduction of one executive director and one director of planning, and given the merger of staffs, it would be reasonable to expect a 10% overall reduction in remaining overhead costs. The overall impact for both agencies is therefore projected at a \$2.6 million net annual savings, as indicated in Table 10. In addition, it is estimated there would be one-time recruiting costs of \$80,000, and one-time implementation costs (legal and consulting) of \$500,000. This option assumes that Resolution 4210 is replaced by adequate funding to avoid adverse fiscal impacts on ABAG during the period of contract negotiation.

Table 10. Estimated Financial Impact of Option 7

	Assumes 50% Split in New Costs		
	MTC	ABAG	Joint
Existing Executive Directors	(\$456,000)	(\$363,000)	(\$819,000)
New Executive Director	237,500	237,500	475,000
Existing Planning Directors	(311,000)	(298,000)	(609,000)
New Planning Director	165,000	165,000	330,000
10% Reduction in Overhead Costs	(1,652,271)	(302,632)	(1,954,903)
Net Cost (Savings)	(\$2,016,771)	(\$561,132)	(\$2,577,903)

Management

Consolidating the ABAG and MTC staff would result in a more comprehensive regional planning organization under a single management and leadership structure. This would result in efficiencies, cost savings and more effective use of staff resources including streamlining the preparation of PBA. Under contract to ABAG, the combined staff will be assuming support to all of ABAG's policy bodies, duties and responsibilities. MTC will need to adjust its organizational structure to accommodate ABAG functions and services. Following an analysis of the duties and responsibilities of ABAG staff, some positions may also no longer be required when the functions are consolidated in MTC.

ABAG's commitment to providing assistance to its member agencies in a number of areas will also need to be supported and continued in the new framework. Nonetheless, the consolidation

should result in clear and consistent direction to staff and transparency to the governing body or bodies and the public about the staff responsible for implementing the region's vision as established by ABAG and MTC. It would also present significant opportunity for an executive director to integrate both agencies into a cohesive, efficient and well-functioning organization with a shared mission, vision and values.

Employee Impacts

Until a new regional agency is formed, the employee impacts would generally be the same as those described under the Implementation of Resolution 4210; however, there has been no determination as to whether all ABAG positions would transition to MTC. Should there be agreement to create a successor agency under a new governance structure, the impacts should be the same as those described under Option 4, Creation of a New Regional Agency and Governance Model.

Policy

Until and unless a new regional governance model is agreed on, ABAG and MTC's policy and governance structures would continue as currently structured. ABAG would remain autonomous and independent from a policy standpoint. In addition to its JPA policy and statutory duties and responsibilities, the ABAG governing bodies would specifically retain their statutory responsibilities over the SCS as well as RHNA and therefore its specific policy roles in these areas. While some policy decision making could be streamlined with staff integration, there will be no formal change to the bifurcated strategic and policy direction for regional land use and transportation planning and related programs between two agencies not formally linked by an integrated policy structure.

Under this option, there is no formal commitment to create a successor agency and new governance model. If a new governance model is pursued and implemented, it would increase the transparency of regional land use and transportation policy decisions and provide an opportunity to establish a clear vision for the region. A new governance model would also eliminate duplicate committees addressing similar issues, which would also mean a more efficient use of elected officials' time as well as staff time. Alternative governance models provide a range of options to meet the interests of the region's local governments and stakeholders, including multiple governance structures within the new agency that are responsible for different missions, e.g., the MPO or transportation, the COG, and administration (executive board). Voting structures among the governing bodies can be weighted in accordance with various factors, including population, or by certain categories.

A. Operational Effectiveness and Accountability

Consolidating staff would clarify and streamline staff roles and responsibilities between the MPO and COG under a single leadership and management structure, thereby fostering accountability for performance on PBA 2017 as well as all regional land use and transportation

planning generally. This option would provide a single planning department that would integrate regional land use and transportation planning more effectively. A combined organization with more stable financial resources should also result in increased support for integrated transportation and land use programs and services.

As many stakeholders have voiced concerns about integrating land use planning into a transportation agency, MTC would need to increase staff resources and demonstrate a much stronger commitment to increasing local government engagement and support for PBA. Because neither ABAG nor MTC have land use authority, regional plans are implemented jurisdiction by jurisdiction and local jurisdiction support will be critical to the successful implementation of this option. Additionally, MTC would be expected to continue ABAG's commitment to providing local government with a range of planning and other specialized assistance. Performance and expectations regarding these issues could be set forth in the contract and work program.

Consolidating administrative services and other functions would result in efficiencies and effectiveness and probably reduce costs to ABAG programs and services, including the JPAs. It would also provide additional resources and expertise to address ABAG's financial issues and provide long-term solutions. Further analysis as well as additional information would be required to understand the impact on MTC (administratively and financially) in this area. While a consolidated staffing function in a larger agency would provide additional depth and flexibility, transparency and accountability to ABAG's member agencies by staff would be paramount. Implementation of this option would significantly increase the overall number of staff in MTC and the career opportunities for staff.

Under the contract between MTC and ABAG, the executive director as the leader of MTC staff would be responsible for the oversight and management of the staff functions to carry out the duties and responsibilities of ABAG. ABAG would maintain its autonomy and policy role through an annual (or more) contract with MTC that sets forth expectations, responsibilities, a work program and annual budget for carrying it out. ABAG would retain authority to contract with consultants who can independently review issues or work if it deems necessary to do so. As an employee of MTC, the executive director would technically only report to one oversight body (in this instance, the Commission). Nonetheless, Management Partners has seen many agencies where executive directors (and other chief executive officers) are responsible to meet and balance the interests of many competing stakeholder groups.

In the Washington, DC and Chicago MPOs, regional agency executive directors have essentially two different governing boards whose interests they must address, and they have not indicated any significant issues in doing so. In other California major regional agencies, the executive directors must balance the MPO and COG policies, roles and responsibilities. Establishing a clear set of duties and responsibilities regarding the executive director's role with respect to the ABAG governing bodies will need to occur. Similarly, MTC legal counsel could agree to provide day to day services in support of ABAG functions and services but is also accountable to and reports to the Commission. ABAG may wish to retain outside legal counsel on contract to provide advice and counsel to the policy body.

B. Transparency in Policy Decision Making

Implementation of this option would establish clear lines of responsibility and decision making for staff, but leave policy divided between the two agencies. The combined staff would now report to the ABAG policy structure regarding those issues under ABAG's purview, and to the MTC policy structure for those issues under MTC's purview. Having only one staff and a clear line of staff authority over the process should lead to fewer conflicts needing governing body review. A combined staff can also better monitor the committee review process to try to limit the duplication of effort by committees and by staff reporting to committees. (ABAG and MTC could also consider a different committee structure to improve efficiency.)

While duplication of effort can be reduced, the existing official bifurcation of roles and responsibilities between the two policy bodies would continue, potentially leading to some continuation of the lack of transparency regarding decision making and continued inefficient use of elected officials' time. There could also be some inefficiency related to resolving disagreements between the two policy bodies about the allocation of staff resources for the PBA process and other ABAG programs. A conflict resolution process would need to be adopted as part of the contract to address this type of resource allocation issue.

Because the PBA process would still involve two agencies with their own committee/policy structure, issues identified by stakeholders regarding transparency of decision-making would not necessarily be resolved by this option. Whether PBA 2017 is seen as a product of "representative decision making" should be similar to PBA 2013 under this option, assuming both agencies choose to continue the current practice of joint adoption of PBA. However, should that practice change and MTC not receive ABAG's support for PBA, the perception that PBA is a product of representative decision making could be compromised.

This option could lead to an opportunity to address more complex regional issues, as it could increase the staff resources available for such work. Overall, this option should allow for more efficient allocation of staff with potentially significant cost savings. By reducing duplication of effort and allowing for a more streamlined PBA process, the level of staffing necessary for PBA 2017 should be reduced in comparison to PBA 2013. Assuming some increased efficiency and reduced costs, there should be increased staff resources available to undertake new initiatives. While MTC will have the ability and the resources to do more comprehensive regional planning, undertaking a wider range of planning activities will require MTC to redefine itself as more than a transportation agency, which it has already begun to do.

C. Core Service Delivery and Financial Sustainability

Option 7 assumes that all ABAG staff and MTC staff would be consolidated into a single agency under a single executive director. The impact on MTC finances of potentially absorbing ABAG liabilities will need to be fully assessed before this option is implemented. While we have not fully evaluated the fiscal impacts of consolidating all ABAG and MTC staff functions into MTC, we would assume the administrative savings would be roughly the same as for options 4 and 6: about \$2.6 million in annual savings and a one-time cost of at least \$500,000. There would likely

be additional costs associated with a later evaluation of the effectiveness of the governance structure, and further costs to implement a decision to move forward with agency unification.

The unified staff will be under an agency with a comparatively secure financial foundation and strong administrative services and programs. Overall, the annual savings from this option should allow maintenance and expansion of core service programs, and provide adequate administrative support for programs and services, assuming continuation of current grants, service programs and dues revenue.

D. Implementation Viability

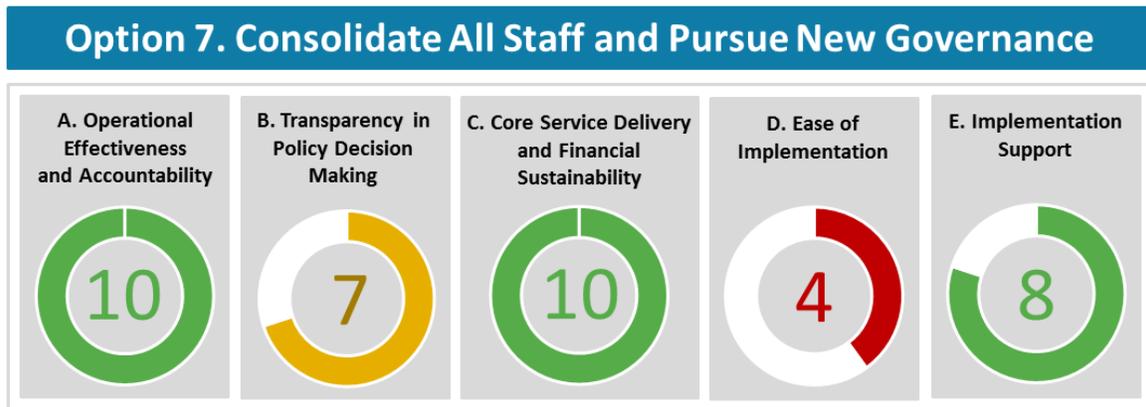
Option 7 would not require any immediate legislative action, although it would be required should the agencies decide to create a unified agency in the future. This option would require ABAG and MTC to enter into an agreement for the transfer of staff and financial resources. Such an agreement would also set forth the programs and services staff would perform for ABAG.

MTC may be perceived as a more attractive agency than ABAG with respect to compensation and some benefits by ABAG staff; however, the issue of non-affiliation with a union may be a negative factor. Also, leadership and a careful transition plan will be needed for a successful integration of ABAG and MTC staff into a single organizational culture. The consolidated staff will be in a more securely funded organization than ABAG, and this should address some of the uncertainties associated with ABAG's current financial state.

This option would only partially address stakeholder interest in a unified regional planning agency because it would leave intact the existing policy bifurcation. It is likely to be perceived as a step in the direction of a more unified agency, given the commitment to evaluate the effectiveness of the dual governance structure in the future. Based on the stakeholder meetings, this option would need extensive engagement to provide information about how ABAG will retain its independent role, and how it will provide policy direction to programs and policies under a consolidated staffing structure.

Based on the above criteria analysis, Figure 16 presents the overall numeric assessment for Option 7 across five major areas.

Figure 16. Criteria Assessment Overview for Option 7



These options are intended to frame possible approaches at this time. There may be elements or components of one that might be transferable or incorporated into another option, especially with respect to implementation mechanisms, e.g., a contract, resolution or MOU. The Executive Summary of this report provides a summary of Management Partners' conclusions regarding these options and our recommendation for a path forward.